Austria	Sch30	Iran	[illegible]	Pakistan	Rs35
Bahrain	[illegible]	Israel	[illegible]	Philippines	Pes40
Belgium	[illegible]	Italy	L2200	Poland	Zl 9,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es165
Denmark	DKr15	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.00	Kuwait	Fils.500	S.Arabia	SR9.00
Finland	[illegible]	Lebanon	[illegible]	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft120	Neth	Fl 3.50	Thailand	Bt50
Iceland	IKr160	Nigeria	Naira12	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp5100	Oman	OR1.30	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

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Φ D 8523A

Baltic states

The Red Army flexes its muscles

Page 5

World News

ANC makes concession to Pretoria on constitution

The African National Congress narrowed differences between itself and the South African government by calling for an all-party conference which would draft the broad principles of a new constitution. Page 14

Evacuation halted

Fighting in the war-devastated Somali capital of Mogadishu prevented air evacuation of foreigners still trapped in the city. Page 4

Help for Ethiopia

A United Nations ship carrying food for northern Ethiopia arrived safely in the rebel-held Red Sea port of Masawa in the first step of a plan to reopen a vital famine relief route. Millions face starvation, Page 14

Le Monde choice

Journalists of Le Monde, France's leading national daily newspaper, voted to accept an outsider as director for the first time in the paper's history. Page 14

Coup officers jailed

An Argentine military court sentenced seven army officers to "indefinite imprisonment" for leading a military uprising in December that left 13 people dead. Six others were jailed for between 12 and 20 years.

Nato satellite

A $110m British-built satellite designed to improve communications among Nato allies was launched by a Delta 2 rocket at Cape Canaveral, Florida.

London rail crash

One man died and 248 people were injured when a crowded rush-hour train smashed into the buffers at a main-line London railway station. Page 8

Child refugees

Young children arriving unaccompanied from areas of conflict such as Somalia and Ethiopia are posing a problem for Holland. About 400 turned up in the first half of last year.

Sri Lanka deadlock

The Sri Lankan government and Tamil rebels blamed each other for breaking a week-old ceasefire that has reduced, but not halted, the fighting.

Streetcar deaths

A streetcar overturned on a busy Budapest street, killing five and injuring 50 people, over half of whom were children.

Madrid strike chaos

A strike by Madrid's underground railway drivers caused rush-hour traffic chaos after drivers and employers failed to agree a peace formula.

Road deaths halved

The number of road deaths in the Irish Republic in December was almost halved after police launched a tough anti-drinking and driving campaign.

Miners negotiate

The leader of nearly 50,000 striking Turkish miners called off a protest march to Ankara to resume pay talks with the government.

Seamen missing

Five French seamen were missing after launching an anguished call for help from their trawler sinking in the Channel.

Peruvian hijack

A man armed with a grenade hijacked a Peruvian domestic airliner en route from Trujillo to Lima with about 100 people on board and demanded $750,000.

No hiding place

A 22-year-old American was arrested in Rome after police found cocaine with a street value of $14m hidden inside four plaster statues, a wine rack and the legs of a folding chair in his possession.

Business Summary

Sterling Drug expected to announce deal with Sanofi

Sterling Drug, Eastman Kodak's pharmaceutical subsidiary, and Sanofi, the French drug company, are expected to announce an ambitious international alliance. Page 15

MARKETS: Wall Street: Dow Jones Industrial Average was up 1.98 at 2524.75 by mid-session. Tokyo: The Nikkei average lost 838.73, or 3.5 per cent, to 22,897.84. Frankfurt: The DAX index ended 4.21 lower at 1,353.95. Back Page, Section II

LYONNAISE des Eaux-Dumez, French water distribution and construction group, announced a programme of asset sales and the acquisition of a small water distributor in southern France. Page 15

WPP GROUP, troubled international marketing services company, is close to agreeing preliminary proposals with its banks over the restructuring of its $607.95m debt. Page 15

BRITAIN'S five largest clearing banks have agreed on a pilot scheme eliminating paper for corporate customers and replacing it with electronic messages. Page 14

INTERNATIONAL Energy Agency has called an emergency meeting in an effort to co-ordinate its member governments' plans to deal with a disruption in oil supplies should a war break out in the Gulf. Page 2

US Treasury bonds received an unexpected boost when the Federal Reserve failed to operate in the open market while Fed Funds were trading below the Fed's perceived target of 7 per cent. Page 18

GENERAL Electric of the US has won a $650m order from KLM Royal Dutch Airlines for engines to power the carrier's new fleet of McDonnell Douglas MD-11 trijets. Page 4

COUNTY NatWest, investment banking arm of National Westminster Bank, is planning to cut staff in its loss-making Tokyo office through a voluntary redundancy and retirement scheme. Page 18

SOUTH Korea Finance Ministry says foreign companies investing in the country will face a simplified approval process but sharply cut tax incentives from March. Page 4

SHL Systemhouse, Canadian computer systems company, has asked Roderick Bryden, its chairman and executive, to step down. Page 16

JAPANESE corporations are expected to make a sharp cut in public share offerings in the fiscal year ending March, 1991. Page 22

HONDA cars built in the US will have to be admitted freely to European Community markets because their place of origin puts them outside existing quotas on Japanese cars, according to UK officials. Page 14

SWEDISH agriculture minister Mats Hellström said the deadlock over agriculture which halted the Uruguay Round trade talks in Brussels on December 7 could be broken in the next month. Page 4

UK finance officials said the European monetary institution set up to administer Britain's proposed hard Ecu currency could eventually evolve into a fully fledged pan-European central bank. Page 8

KOBE STEEL, Japanese steelmaker, said an Iranian state engineering company has commissioned it to conduct a feasibility study into the construction of at least one integrated steelworks. Page 4

UBS, Union Bank of Switzerland, added a specific reference to the Middle East in the legal documentation of a new issue launched in the Swiss bond market. Page 22

Baker allays fears of split among Gulf allies

By Ian Davidson in Paris, Philip Stephens in Dhahran and Tony Walker in Baghdad

MR JAMES Baker, US secretary of state, moved yesterday to allay fears of disunity in the west's approach to the Gulf crisis.

He said France and the US were "absolutely united" in their approach to the crisis as he prepared for his crucial talks in Geneva today with Mr Tariq Aziz, the Iraqi foreign minister.

France has been regarded in Washington and London as a weak link in the multinational coalition trying to eject Iraqi forces from Kuwait. But Mr Baker and Mr Roland Dumas, his French counterpart, after meeting in Paris, both demanded an unconditional Iraqi withdrawal.

Mr Baker said there was "total and complete agreement between France and the US over the necessity of a complete implementation of the UN Security Council resolutions before January 15".

The main point of open disagreement between Paris and Washington is over President Mitterrand's proposal, advanced at the UN General Assembly in September, that an Iraqi withdrawal from Kuwait could be followed by one or more international conferences to treat the outstanding problems of the Middle East. The US is opposed to linkage between the Gulf crisis and the Arab-Israeli conflict.

But Mr Dumas underlined yesterday that this point of disagreement made no difference to "the solidarity to which we shall stick".

He said: "We would not even suggest that we could negotiate outside the resolutions of the United Nations, and there is total agreement between us that there can be no link with other questions and that there must be complete and unconditional Iraqi withdrawal from Kuwait."

After his 90-minute meeting with Mr Baker in Bonn, Chancellor Helmut Kohl said he had stressed Germany's hopes for a peaceful solution to the Gulf crisis.

But he and Mr Baker were agreed that they were considering only a solution based on UN Security Council resolutions demanding that Iraq withdraw from Kuwait. "The meeting between the foreign ministers of the US and Iraq is a chance that absolutely has to be used," Mr Kohl said.

In Baghdad, diplomatic missions were making plans to evacuate their nationals in the event of war and shredding and burning confidential documents. The evacuation plans are likely to be activated if

Continued on Page 14
Gulf reports, Page 2; Oilfield pollution, Page 13; Markets, Section II

Soviet leader forced to make sweeping concessions to republics to win budget deal

Gorbachev and Yeltsin agree to avert deadlock on spending

By Quentin Peel in Moscow

SOVIET President Mikhail Gorbachev and Mr Boris Yeltsin, president of the Russian republic, yesterday agreed a budget deal, averting the prospect of a complete standstill in state spending.

The deal means that central government spending – including defence, law and order, social spending, foreign aid, and the environment – can be financed for the coming months in spite of the lack of any final agreement on a division of responsibilities with the 15 union republics.

No details of the accord were released last night, but it appeared that Mr Gorbachev had been forced to make sweeping concessions to the republics to ensure having a budget at all. Meanwhile, Mr Yeltsin has almost certainly had to contribute a bigger share of his tax revenues to the centre, to reach a compromise.

The deal was negotiated in the afternoon after revised revenue and spending figures for the national budget had been presented to the Supreme Soviet, the standing parliament, in the morning.

They showed that Mr Gorbachev had been forced to accept that part of the central budget revenues – nearly Rbs42bn out of Rbs250bn – would be a grant from the republics, rather than being based on direct federal taxation. That seems certain to leave the central government increasingly at the mercy of the republics over its future spending plans.

The original economic agreement was worked out last week by the Federation Council, including Mr Gorbachev and all the republican leaders. However, on Saturday Mr Yeltsin declared he was not prepared to back it and was withholding Rbs27bn. The Russian republic normally contributes 60 per cent of total revenues.

What was already granted to the republics in last week's deal was 100 per cent control over the so-called turnover tax on enterprises, and 40 per cent of the profits tax on enterprises, amounting to almost Rbs62bn. In exchange, the central government will get Rbs36bn from the new 5 per cent sales tax, and the full amount of tax and customs revenues on foreign trade – some Rbs86bn.

The central budget presented to the parliament yesterday totals Rbs276.8bn, against the revenue figure of Rbs250.2bn. However, the deficit of nearly Rbs27bn greatly understates the total state deficit because all the republics and all regional and city councils throughout the country, have huge deficits as well.

One of the largest items in state spending – a forecast Rbs120bn in food price subsidies – has now been made the responsibility of the republican and local authorities. After steep rises in producer prices, but no increase yet in retail prices, the cost of subsidies could go much higher.

The budget reveals for the first time the spending on the KGB, the state security committee, at Rbs4.9bn for the coming year. Military spending is put at Rbs96.6bn, or 35 per cent of the budget.

The budget is supposed to be approved by parliament by the end of the present session next week.

Army flexes muscles, Page 5;
Editorial comment, Page 12

Smiling in adversity: Mikhail Gorbachev yesterday

Lithuanian premier resigns over vote on price rises

By Leyla Boulton in Moscow

THE CRISIS triggered by Moscow's decision to send paratroopers to the Baltic republics yesterday claimed its first political casualty when the prime minister of one of the republics, Mrs Kasimiera Prunskiene of Lithuania, resigned.

Her decision came after the Lithuanian parliament cancelled sharp price rises decreed by her government as part of reforms to create a market economy. Some deputies had argued that the social tension generated by the price rises would weaken Lithuania's ability to withstand an onslaught from Moscow.

As the parliament voted against the price rises, thousands of demonstrators – most of them Russians who want Lithuania to remain part of the Soviet Union – surrounded the building shouting "Down with the government".

Windows were smashed and some protesters tried to push their way into the building before being repelled by unarmed guards and security forces using water cannon.

Other rebel Soviet republics yesterday threatened civil disobedience if Moscow used a "mailed fist" conscription campaign as an excuse to crush their moves towards independence.

In Washington, the White House condemned the Kremlin's decision to send paratroopers into the Baltics, say-

Continued on Page 14
Analysis and Moscow-Russia budget agreement, Page 5

Pan Am files for protection from its creditors

By Nikki Tait in New York and Paul Betts in London

PAN AM, the cash-starved US airline, yesterday filed for protection from its creditors under Chapter 11 of the US bankruptcy code – the third large US airline to do so in two years.

But the company also said that Bankers Trust, the US investment bank, and United Airlines, one of the biggest US carriers, had agreed to provide an interim loan of $150m.

Pan Am said that this money, together with $30m in cash it had on hand, should enable it to keep operating until it received $290m from United for the sale of Pan Am's Transatlantic routes into London's Heathrow airport.

Mr Tom Plaskett, Pan Am chairman, said the Chapter 11 filing would allow the airline "to restructure its financial obligations equitably and realistically in a controlled manner". The move, he said, should have no impact on the flying public.

These developments in the Pan Am saga are expected to increase pressure on the British government to come to a decision quickly on approval for the transfer to United of Pan Am's take-off and landing rights at Heathrow airport.

The UK and the US governments are set to hold further negotiations in Washington early next week on the controversial Pan Am/United issue and the similar plan to transfer to American Airlines the Heathrow rights belonging to TWA, another heavily indebted US airline from which Pan Am considered a merger proposal last month.

The UK has so far indicated that its decision would depend on completion by the Civil Aviation Authority of a review of London air traffic distribution rules later this month.

Pan Am announced plans to sell its Heathrow routes to United last autumn, but has been unable to conclude the transaction until both UK and US authorities give their approval. Tentative approval for a route transfer was given by the US yesterday.

Yesterday's bankruptcy filing suggested that Pan Am's main operating unit had liabilities of $2.6bn at end-September, against assets of $1.6bn. The biggest unsecured creditor is the Pension Benefit Guaranty Corporation, a Federal agency, to which Pan Am owes $490m of contingent claims.

Details, Page 15

SEC chief warns of tough year ahead for US securities industry

By Lionel Barber in Washington

THE US securities industry is likely to register one of its worst performances in years and may have lost money as a whole in 1990, Mr Richard Breeden, chairman of the Securities and Exchange Commission, warned Congress yesterday.

Mr Breeden also said that proposals to allow banks to enter the securities business – which the Bush administration will shortly present to Congress as part of a restructuring of the financial services industry – could lead to significant short-term losses for the newcomers.

In testimony to the senate banking committee, Mr Breeden painted a bleak picture of declining profits and stagnant growth in the securities industry. It would either have to raise revenues or cut costs through job losses, and possible mergers.

Despite these concerns, Mr Breeden rejected parallels with the troubled banking sector and expressed confidence that both firms and the Securities Investor Protection Corporation, the industry's investor protection fund, were adequately capitalised to handle the downturn.

This safety net, coupled with firms' own capital, ensured that federal assistance would not be needed in the event of a severe economic downturn.

The SEC had previously expressed concern about brokerage firms' earnings and made some adjustments to capital requirements after the collapse last year of Drexel Burnham Lambert, the junk bond specialist.

Mr Breeden noted that smaller, specialised firms exploiting market niches appeared to be faring better than larger, diversified nationwide firms.

"This may suggest that the business strategy of building financial supermarkets has not to date proven universally successful," he said, in an implicit criticism of fashionable thinking on Wall Street in the 1980s.

The downward trend in profits was a cause for concern, but a decline was not unusual considering the level of activity in the overall economy, he said.

Nonetheless the industry entered the 1990s with declining profits and overcapacity.

Mr Breeden said pre-tax return on equity for the first three quarters of 1990 was 0.2 per cent on an annual basis, compared with an average 7 per cent from 1987-89.

In the first three quarters of 1990 total industry revenue decreased significantly, he said. Commission revenue was $9.1bn on an annualised basis, compared with $10.2bn in 1989.

On proposals further to dismantle the Glass Steagal Act – a central pillar of US financial regulation establishing the separation of banking and commerce and banning commercial banks from engaging in the securities business – Mr Breeden warned: "Inexperienced firms without market share that enter the business are likely to lose money, at least in the short-term, as existing firms fight to retain their market share."

Optimists undaunted by US recession, Page 3

CONTENTS

Sudanese government accused of profiting from civil war

The government of President Omar Hassan Ahmed el Bashir of Sudan stands accused by aid workers of "wilful evil" in using profits from selling relief supplies to buy arms to continue a bitter civil war

Page 4

MARKETS

STERLING
New York lunchtime:
$1.905
London:
$1.905 (1.906)
DM2.92 (2.92)
FFr9.8975 (9.915)
SFr2.455 (2.4625)
Y260.0 (260.5)
£ Index 93.9 (93.8)

GOLD
New York: Comex Feb
$392.3 (396.2)
London:
$388.25 (391.25)

N SEA OIL (Argus)
Brent Feb
$25.65 (26.0)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.532
FFr5.202
SFr1.2885
Y136.4
London:
DM1.5315 (1.5325)
FFr5.1925 (5.2025)
SFr1.2875 (1.2915)
Y136.4 (136.65)
$ Index 62.0 (62.1)
Tokyo close:Y136.30

US lunchtime rates
Fed Funds $6\frac{1}{2}$%
3-mo Treasury Bills:
yield: 6.62%
Long Bond:
$104\frac{13}{16}$
yield: 8.30%

STOCK INDICES
FT-SE 100:
2,099.9 (−13.4)
FT Ordinary:
1,636.9 (−10.9)
FT-A All-Share:
1,011.89 (−0.6%)
New York lunchtime:
DJ Ind. Av.
2,529.21 (+6.44)
S&P Comp
316.12 (+0.68)
Tokyo: Nikkei
22,897.84 (−838.73)

LONDON MONEY
3-month Interbank:
closing $13\frac{27}{32}$% ($13\frac{29}{32}$)
Liffe long gilt future:
$89\frac{5}{8}$ (Mar $90\frac{7}{32}$)

Congress likely to vote in favour of military action

By Peter Riddell, US Editor, in Washington

THE US Congress is at last preparing to take a position on whether military action should be taken to force Iraq out of Kuwait – and the signs are that the Senate and House will both, possibly narrowly and with misgivings, back President George Bush's stand.

The House of Representatives will start a debate tomorrow which should be concluded by Saturday, while the Senate hopes to reach a vote by Monday, the day before the expiry of the United Nations deadline.

Until the last few days Democratic leaders had sought to avoid bringing the matter to a head, fearing the impact, both domestically and externally, of divisions.

They argued that taking a view on possible military action was hypothetical since that was not imminent and it was still too early to decide whether or not sanctions against Iraq were working. This was mixed with the desire of legislators to prevaricate, to avoid being pinned down on the hard choices of backing a war or of appearing to undermine the president.

But now both Sen Mitchell and Mr Tom Foley, the Democratic Speaker of the House, recognise that, with the Baker/Aziz meeting today, the time has come for Congress to take a decision.

The House is likely to consider three resolutions – one expressing the view that the constitution requires the president to seek congressional approval before going to war; a second urging continuation of economic and diplomatic pressure against Iraq; and a third endorsing a resolution authorising military action on the lines of the November 29 UN resolution. The Senate is likely to debate a resolution on congressional approval of military action, but, under its rules, that could be subject to amendment.

The White House may also send up a draft resolution, possibly like the UN resolution. Its main aim is that whatever emerges from Capitol Hill should not limit the president's ability to act.

The debate has been at various levels – the longstanding constitutional tussle over the prerogatives of the Congress in declaring war (last exercised in December 1941) and the rights of the president as commander in chief to order military action; the possibility of sustaining sanctions policy; and whether war is justified.

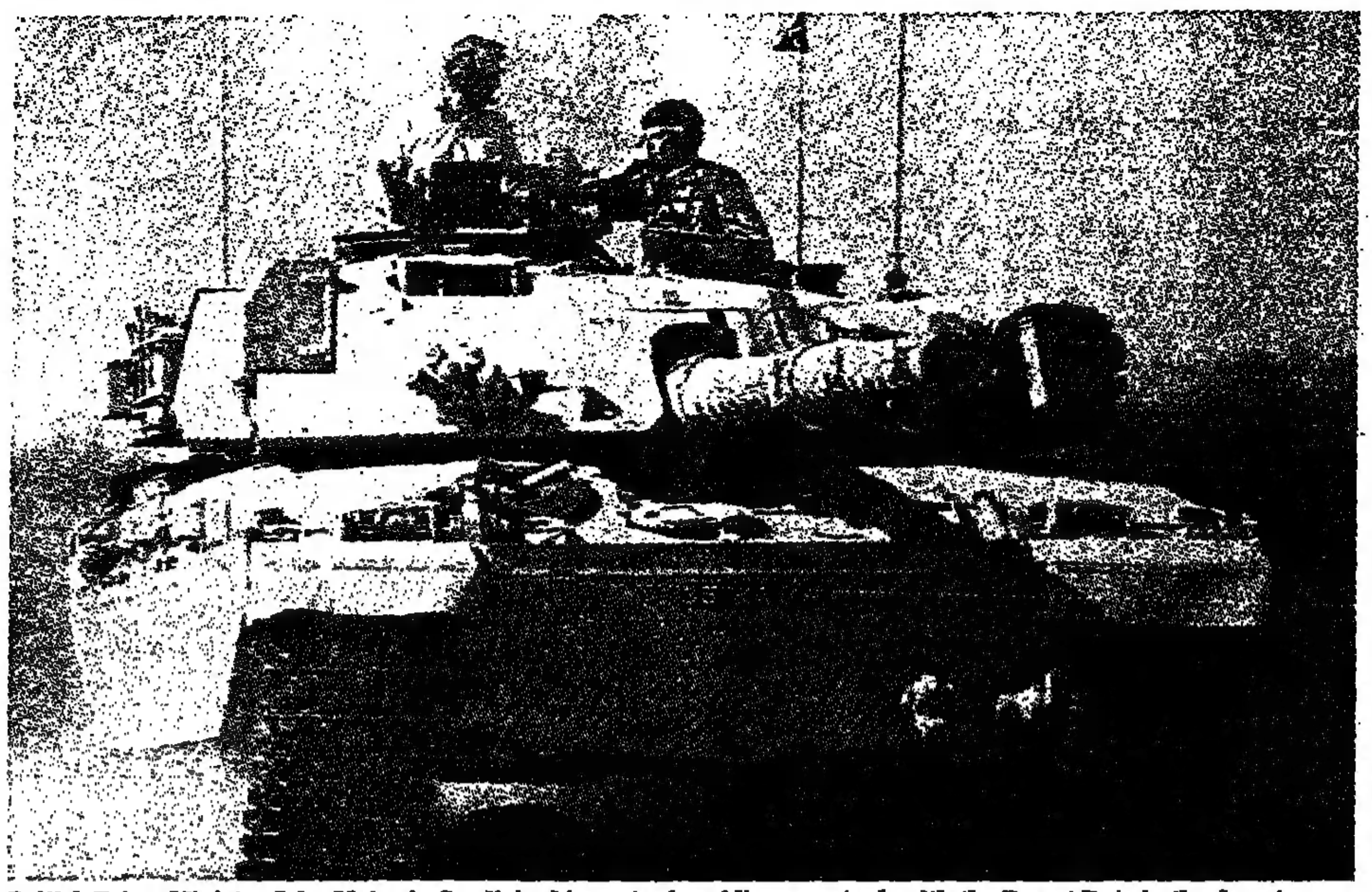
The approach of the UN deadline has shifted the debate. While many in Congress will argue that sanctions should be given more time, they accept the president is determined to force the issue now and they have to back him or oppose him.

Opinion polls show growing support for Bush

Opinion polls reveal growing backing for the president's policy. A new Washington Post/ABC News poll yesterday showed an increase in backing for Mr Bush's handling of the crisis and a rise from 55 per cent to 63 per cent since mid-December in the proportion supporting a war if Iraq has not withdrawn by next week. However, if the possibility of sizeable American casualties is mentioned, opposition to war increases substantially.

There are already growing public protests against a war, though they are nothing like the scale of those seen during the Vietnam war.

Many doubters in Congress are likely to rally behind the president now - and no doubt blame him if things go wrong. Sen Robert Dole, the Republican minority leader, has forecast that the Senate will approve a resolution authorising force by around a 60 to 40 majority, while Mr Foley believes such a resolution will pass the House, though not necessarily by the margin Mr Bush would like.



British Prime Minister John Major in Saudi Arabia yesterday riding on a tank with the Desert Rats in the desert

Prime Minister Major sees his army on the move towards Kuwait

Fear and resolve mingle in desert

By Philip Stephens in eastern Saudi Arabia

YESTERDAY it was the stuff of adventure stories: a time for that British stiff upper lip, for talk of doing the job that had to be done, of relish at the prospects of some "real soldiering".

But in the hostile desert sands, apprehension mingled with the resolution. In perhaps little more than a week may follow the grim task of counting the dead and wounded, of comforting wives and children.

As Mr John Major, the UK prime minister, flew across eastern Saudi Arabia yesterday to meet the British troops moving north towards Kuwait there could be no doubt that this was an army making the final preparations for war.

From the windows of the Puma troop-carrying helicopters in which his party travelled, the desert appeared littered with the machinery of destruction.

Tanks and other armoured vehicles – hundreds upon hundreds of them – crawled or squatted in the sand like a plague of beetles. The desert wadis, once hospitable resting places for local tribesmen, have been turned into armed encampments by the nearly 400,000 foreign ground troops ranged against Iraq.

On the ground, Mr Major was there to do the job of a political leader: to explain to the soldiers sweating by day and freezing by night that theirs was a just cause; that they could be confident of victory; that the people of Britain were proud of them.

He did it well. There was no hint of jingoism, but instead a down-to-earth explanation of why President Saddam Hussein could not be allowed to triumph. There was the hope, too – expressed frequently – that even at this stage the Iraqi leader might regain a grip on reality.

The officers commanding the 4th Armoured Brigade – the "Desert Rats", trace their regimental ancestry to the famous victories against Germany in the desert of North Africa – took on a different role. In accents cut in the public schools of the home counties they told the prime minister and the accompanying press that they were willing and ready for the frightening task of dislodging the more than 500,000-strong Iraqi army from Kuwait.

Surveying the battle group of Challenger tanks and Warrior troop carriers which will be in the front line of any attack, Lieutenant-Colonel Andrew Larpent had not a shadow of doubt about his soldiers' morale. They were telling him that: "This is what I joined the army to do. This is real soldiering." Those men, too, appeared outwardly sanguine. They spoke of themselves as professionals, they took pride in their skills, they were confident of a rapid victory.

There were gripes – about cuts in allowances, about the Saudi prohibition on alcohol, and about the absence of female companions. Their gas masks and protection suits were not enough to quell the horror of the prospect of chemical or biological retaliation by the Iraqis.

They were subdued. As they sat in a semi-circle on the sand listening politely to their prime minister there was no bravado, no calls for a speedy attack. The unspoken hope was that it may still not come to that.

After a few snatched conversations with the young soldiers it was not hard to understand why. The military technology assembled by the Americans and British is indeed, to use a current cliché, awesome. But the men of the Royal Regiment of Fusiliers under Col Larpent's command will fight as brutal a war as any which has come before.

Still in his teens, an infantryman from Lancashire explained quietly that he would go into battle in the back of a Warrior.

It would take him to the Iraqi trenches where he would fight with his rifle and his bayonet. He had trained hard for it. It was OK now in the desert, but would there really be a war? "I'm scared," he said. He should be.

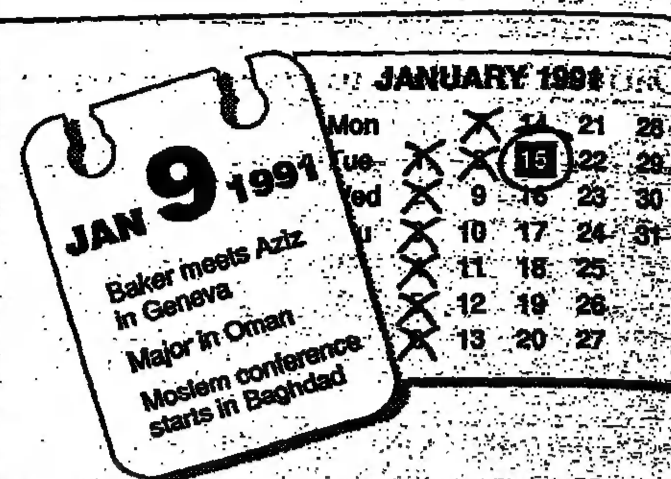
As Mr Major flew south again to Dhahran a convoy of military vehicles moved north on the road below him. Last week it would have been tanks or armoured personnel carriers. Yesterday, it was military ambulances.

THE UK has reduced the number of army reservists being called up for medical duties in support of its forces in the Gulf as a result of a fresh inflow of volunteers, writes David White, Defence Correspondent.

Plans to call 250 former servicemen of the regular Army Reserve into compulsory service have been reduced by almost half - at least for the time being.

In addition to the army reservists, 140 part-time members of the Royal Auxiliary Air Force are being called up to provide a medical evacuation squadron for possible Gulf casualties.

Of the total involved in army medical support – about 1,000 including both volunteers and called-up reservists - almost a quarter are women.



Western missions begin destroying sensitive papers

By Tony Walker in Baghdad

VISITORS to Britain's quaint stucco embassy on the banks of the Tigris these January days are likely to experience an acrid smell and notice charred fragments of paper wafting around the courtyard.

The British embassy, like other foreign missions in Baghdad, is destroying sensitive documents as fears of war increase before next Tuesday's deadline for Iraq's withdrawal from Kuwait.

All missions are making plans to evacuate their nationals in the event of war. These plans are likely to be activated if talks today fail between Mr James Baker, the US secretary of state, and Mr Tariq Aziz, the Iraqi foreign minister.

Opinion is divided among western officials in Baghdad about prospects of a last-minute compromise, but there is little sign of Iraq agreeing to withdraw from Kuwait by January 15. As one western ambassador said yesterday: "It's very depressing. I can't see any way out at the moment." Britain has about 30 nationals left in Iraq, including six embassy staff, having trimmed staff in the mission from 24 last week.

A British official said that in consultation with representatives of other European Community countries various options for the evacuation of UK citizens were under consideration, but he declined to give details.

Escape routes include those overland through either Jordan, Turkey or Iran. Iraqi Airways, which operates daily services to Amman, is fully booked until January 21.

Western officials said that, if the slide to war accelerates after today's talks, waiting lists for scarce berths out of the country are certain to lengthen.

Embassies are, meanwhile, scaling down or withdrawing staff altogether.

Germany pulled its ambassador and other embassy staff out of Baghdad yesterday, but said it had not closed its mission in the capital.

The withdrawal came amid reports that Iraq was anyway poised to eject German diplomats following Bonn's recent expulsion of seven Iraqis.

The United Nations staff union also called for the evacuation of the organisation's remaining workers in the city who, it said, were in "immediate danger".

Officials at the US Embassy, reduced to a skeleton staff, estimate that in 3½ minutes they can destroy all their sensitive documents.

Modern technology is helping preparations for a quick exit. A veteran western official recalls that when the 1967 war broke out – he was in Damascus at the time – he stayed up all night shredding sensitive documents, but before the job could be completed the shredder burned out.

"Now," he said, with satisfaction, "I'm pleased to say we have an industrial model."

NEWS IN BRIEF

Kuwaitis attempt to unblock banks' assets

The Central Bank of Kuwait, operating from exile in London, is seeking to have assets of Kuwaiti banks unfrozen so that they can settle their obligations, writes David Lascelles, Banking Editor.

It said yesterday that it had applied to the authorities in all the main financial centres where Kuwaiti assets were frozen after the Iraqi invasion last August.

Once the freeze has been lifted, the Bank said Kuwaiti banks would discharge all their international obligations except those in Kuwaiti dinars. The bank says it is confident that Kuwaiti banks will be able to meet their obligations, but it stands ready to offer them any help.

The Bank of England has already indicated its willingness to unfreeze assets in the UK once satisfactory arrangements have been made.

More Mideast flights stopped

Alitalia, Singapore Airlines and Philippine Airlines yesterday became the latest of a growing number of international carriers to cancel flights to the Middle East because of soaring war insurance premiums, writes Paul Betts, Aerospace Correspondent.

The Italian flag carrier said it was temporarily suspending flights to Israel for insurance reasons.

Singapore Airlines said it will stop flying to Cairo from January 14, the eve of the UN deadline for Iraq to withdraw from Kuwait. Philippine Airlines also decided to cancel until further notice all flights to the Gulf region including services to Dubai, Dhahran and Riyadh. The carrier's flights to Europe are to be rerouted from the Gulf area.

UK attacked on Gulf damage

The British government came under attack from the Labour Party yesterday for taking a "dismissive attitude" to the possibility of environmental damage that could be caused by a Gulf war, writes John Hunt, Environment Correspondent.

Further claims of environmental disaster in the Gulf region were also made by scientists at a London press conference organised by the Green party. They said that oil slicks from damage to tankers and offshore oil installations would destroy fish which form a big element in the diet of the local populations.

Mrs Ann Taylor, Labour's shadow minister for environmental protection, issued a statement saying that Mr John Wakeham, Energy Secretary, had "dismissed out of hand" the possibility of serious environmental damage as a result of a conflict.

A burning issue, Page 17

Bonn probes embargo violations

German officials are investigating seven companies suspected of violating the UN trade embargo against Iraq, AP-DJ reports from Bonn.

Four of the companies are suspected of seriously violating the embargo, while three are being probed for less serious infringements, a Bonn government official said yesterday.

The official declined to identify the seven or provide any details on how they allegedly broke the embargo imposed after Iraq's August 2 invasion of Kuwait.

Iran and Iraq agree buffer zone

Iran and Iraq, in another step towards a formal end to their eight-year war, will pull their last remaining border forces behind a 1km-wide buffer zone today, according to the Iranian foreign ministry, Reuter reports from Nicosia.

The statement coincided with the arrival in Tehran of the most senior Iraqi delegation since the 1979 Islamic revolution.

Belgium 'undecided' on terrorist

The Belgian government says it has not yet decided whether to release Nasser Saeed, a Palestinian terrorist in exchanged for four Belgian hostages whose release was announced on Monday by a radical Palestinian guerrilla group in Beirut, AP-DJ reports from Brussels.

The group led by Abu Nidal, the terrorist mastermind said it has released the four Belgians and "they will be handed over to Belgium within 48 hours".

Germany's master juggler tries to sustain peace hopes

By David Marsh in Bonn

MR Hans-Dietrich Genscher, the German foreign minister, master juggler of east and west, is used to lacing statements with messages designed to find separate appeal with different audiences.

Alive to constant suspicion in Washington that Bonn may break ranks with Nato, Mr Genscher, is sticking to the letter of the UN resolution calling for unconditional Iraqi withdrawal. On that, in his talks in Bonn yesterday with Mr James Baker, US secretary of state, there was no disagreement.

Mr Genscher is also stopping short of proposing automatic "linkage" between an Iraqi withdrawal and other questions in the Middle East, notably a resolution of the Palestinian question. But, in an important difference from the US and Britain, Mr Genscher is trying to get the message across to Baghdad that, if Iraq pull out, rewards of one sort or another will be in the offing.

According to a Bonn foreign ministry official yesterday, Mr Saddam has already won a prize of sorts by putting the Palestinian problem firmly on to the international agenda. Mr Genscher's task in trying to head off war is based, the official said, on trying to give Iraq's leader the correct "political analysis" of his position.

Spelling out why Bonn believed it would be in his own interests to withdraw, the official said: "If he really wants to help the Palestinian people, and become a hero in the Arab world, then he has to play the Kuwaiti card."

The German argument presupposes that if war takes place the Palestine Liberation Organisation will line up with Iraq, and there will be no chance of an international consensus on Palestine for years.

Mr Genscher saw Mr Abdul-Jaber Omar Ghani, the Iraqi ambassador to Bonn, four times during the Christmas period to discuss the Gulf. Over the need to keep the dialogue open with Baghdad, there is no disagreement with London and Washington.

There is, however, potential for discord with the US and Britain over Mr Genscher's suggestion of the prospect of free elections in Kuwait and removal of the al-Sabah ruling family if Mr Saddam complies with the UN resolution. The argument about "democratising" Kuwait cuts little ice with the Iraqi dictator, but is a potent way for Mr Genscher to show German public opinion – already unnerved by the sending of 18 ageing Luftwaffe fighters to south-east Turkey - that he is working for peace.

The difference with the more hawkish tones of London and Washington reflect strategic and even cultural divergences between Germany and Nato's chief military powers, which are becoming more marked now Germany is unified.

Germany sat for 40 years of division on a European powder keg where the two competing power blocs were kept apart. But in spite of this experience, and partly because of it, Germans, branded and tamed by second world war defeat, are no great believers in the power of force to produce peace.

Today's Germans decisively favour Mercury, the god of trade, to Mars, the god of war. In perhaps only a week's time, they will know who wins.

Moscow takes firm line on UN deadline

PRESIDENT Mikhail Gorbachev's spokesman yesterday rejected any move to relax the UN deadline of January 15, writes Quentin Peel.

In a statement closely supporting the western allies' position on Kuwait, Mr Vitaly Ignatenko insisted that the key to any solution was "understanding on the part of the president of Iraq that the threat of military action is very real."

He still stressed the need to exhaust every opportunity for a peaceful settlement to the crisis, but he was more forthright in his support for the UN resolutions than some recent Soviet comments.

The Soviet Union meanwhile responded yesterday to the embarrassment of having a ship seized in the Red Sea by US and Spanish naval ships, denying that its cargo of military spare parts was bound for Iraq. "This is another attempt to throw doubt on the actions of the Soviet side in complying with UN resolutions," a Foreign Ministry statement said.

It insisted that the ship was carrying spare parts and maintenance equipment for the Jordanian military.

IEA calls emergency meeting on war plan

By Deborah Hargreaves

THE International Energy Agency has called an emergency meeting for Friday in an effort to co-ordinate its member governments' plans to deal with a disruption in oil supplies should a war break out in the Gulf.

The agency will be discussing whether to release oil stocks into the world market or to impose measures to cut energy consumption in the event of hostilities. Any decision taken on Friday will not be implemented unless there is a war in the Gulf.

Stocks of oil held by the 21 industrialised countries that make up the IEA are at just over 1bn barrels – their highest level for many years. In addition, current supply to the market is more than adequate and better than anyone could have imagined in August, the IEA says.

At the beginning of this year, government and company stocks of oil were equal to 98 days of the IEA countries' entire oil consumption – the highest level reached in any January since 1982. At the same time, the amount of oil at sea, in transit or as floating stock, is also extremely high.

Nevertheless, the agency believes that its members should be ready to act rapidly if there is any interruption in Gulf oil deliveries as a result of a war.

All member governments have contingency plans in case war breaks out. As well as releasing their stocks to the market, they could restrain demand by lowering speed limits, for example, encouraging fuel switching and turning the heating down in government buildings.

Oil prices remained steady in London trading yesterday after Monday's large rises.

Helicopter defection denied

THE anti-Iraq alliance yesterday suffered a propaganda own-goal when Prince Sultan bin Abdul-Aziz, the Saudi defence minister, denied reports that crews of six Iraqi helicopters had defected to the kingdom, Our Foreign Staff reports.

However there was confusion in Saudi Arabia last night over the whether there had been a defection. Some western officials said that the denial appeared to reflect differences within the Saudi hierarchy about the way the information was released.

The official Saudi Press Agency said the prince called the reports "unfounded in form and content", in remarks during a graduation ceremony for Saudi pilots.

US officials had originally said four Iraqi helicopters landed at Ras al-Khafji, near the border with Kuwait, and that their crews sought to defect. Two other Iraqi helicopters were said to have landed after running out of fuel.

US officials in Washington were yesterday reluctant to comment on Saudi Arabia's denial.

Fears grow Iraq may launch attack on Israel

By Hugh Carnegy in Jerusalem

FEARS are mounting in Israel that Iraq will carry out its threats to attack the country.

In November and December, a series of attacks on Israelis, some fatal, by Palestinians incensed by the killing of almost a score of their number by Israeli police on the site of Jerusalem's holiest Moslem shrine superseded the Iraqi threats as the most serious everyday security concern.

Now the imminence of the UN deadline for Iraq to withdraw from Kuwait has revived public anxiety that President Saddam Hussein may fire long-range missiles with chemical warheads at Israel either before or after any US-led attack on his forces.

"Have you got all your essential supplies ready?" a woman asked a neighbour returning this week to Jerusalem from a trip overseas. She went on to list the steps each household is officially recommended to take, including sealing an interior room against gas attack and laying in provisions protected against contamination. "Go to the pharmacy and get a first aid kit," she counselled.

Public unease has been exacerbated by the decision of eight foreign airlines to suspend flights to Israel and advice by several foreign governments to their citizens to leave, a move many foreign families and a few Israelis have already made.

Fears of war are tempered by a more sober assessment of the threat expressed by senior government figures, including President Chaim Herzog and Mr Moshe Arens, the defence minister. They have said this week that an Iraqi attack remains unlikely in any circumstances and, even if it occurs, the missiles are capable of inflicting only limited damage.

This does not mean the military is complacent. Aside from the missile threat, there is concern that unrest in the occupied territories will escalate if Iraq is attacked. Many Palestinians fear Israel might take military action against Jordan if it felt pro-Iraqi sentiments there threatened its security.

There has been a vociferous political debate on these issues, with the opposition Labour party urging restraint on the Likud party-led hardline coalition. Mr Yitzhak Rabin, a former Labour prime minister and defence minister, said on Monday Israel should avoid a "knee-jerk" military response if Iraq attacked after Gulf hostilities began in order to try to drag Israel into war.

Beyond the military threat the long-term worry is over the political pressure to settle the Palestinian issue Israel now expects to face once the Gulf crisis is resolved. Both Mr Yitzhak Shamir, the prime minister, and Mr David Levy, the foreign minister, have warned recently of the need to prepare for these "dangers".

They are adamant that concessions will not be wrung out of Israel against its will. But yesterday Mr Levy also spoke of potential opportunities after the Gulf crisis for peace talks with individual Arab states, repeating an earlier call for direct negotiations with Syria without preconditions.

Mr Shamir says such opportunities would take months to realise. In the meantime, Israel's primary concern is the neutralisation of Iraq. Mr Levy repeated yesterday that Israel would not be satisfied by a simple Iraqi withdrawal from Kuwait. It wanted curbs on Iraq's military strength, an end to its nuclear weapons programme and other security arrangements to prevent a revival of threats by Baghdad.

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Darman expected to reveal US federal shortfall is close to $300bn

Budget deficit estimate to soar

By Michael Prowse in Washington

THE US recession is expected to cause a substantial upward revision in official estimates of this year's federal budget deficit, wiping out the short-run benefits of the budget agreement painfully negotiated between Congress and the White House last year.

In October, Mr Richard Darman, the budget director, estimated that the deficit would rise to about $253bn (£131bn) this year compared with $220bn in fiscal 1990. This was after allowing for about $40bn of savings as a result of the budget accord.

But given the deterioration in the economy, Mr Darman is expected shortly to announce a revised figure of close to $300bn.

A leak in yesterday's Washington Post newspaper said the Bush administration had increased its deficit estimate by about $50bn as a result of the recession and would announce a shortfall of between $300bn and $325bn when the fiscal 1992 budget was released on February 4.

This figure would exclude as much as $30bn of the costs of the Desert Shield operation in the Gulf and include a surplus of about $66bn on social security – the national pension scheme.

Taking both these factors into account, the operating deficit could thus exceed $400bn, the largest in history.

A senior official confirmed that the recession would cause an upward revision in the deficit, but doubted that the announced figure, inclusive of social security, would exceed $300bn.

This, however, would represent a serious blow for Mr Darman's budget-cutting efforts.

Last January, before the full cost of the savings and loan bail-out were apparent, he projected a deficit for this year of just over $100bn.

An increase in the estimated deficit, while embarrassing for the administration, would be of little practical relevance for Congress.

Under the terms of last October's budget accord, the US is targeting federal spending rather than deficits as such. An overshoot due to the weakening economy will not trigger automatic cuts in programmes.

Richard Darman: faces setback

Economic optimists undaunted by US recession

Many analysts are unperturbed by the downturn's likely duration and depth, **writes Michael Prowse**

THE collapse of the Bank of New England, the region's third largest bank, is a sobering reminder that parts of the US are experiencing their worst post-war downturn. But although the existence of a national recession is now widely accepted, many economists remain sanguine about its likely depth and duration.

The optimistic school was given a mild boost by last Friday's employment report. The unemployment rate rose from 5.9 to 6.1 per cent, the highest level for three years. But the drop in payroll employment in December was modest relative both to analysts' expectations and the standards of preceding months.

Non-farm employment fell by 76,000 to just over 110m, compared with drops of 259,000 and 180,000 in November and October respectively.

Manufacturing escaped particularly lightly, losing only 30,000 jobs against losses of 200,000 in November and an average of 60,000 in the previous three months.

The employment report may prove an aberration; such figures are often heavily revised. But it deserves attention because it provides a detailed guide to the health of different sectors and arrives sooner than most other official statistics.

The only other important indicator for December so far available is the purchasing managers' index.

This broad measure of industrial health registered its sixth successive fall, hitting 40.4 per cent, the lowest level since the 1981-82 recession. A level below 44 per cent is generally thought to signal a broadly-based recession.

This latest reading can only be construed as bad news. But in percentage terms the fall of the index in December was only half as sharp as the fall in November. Like the employment report, it may indicate that the rate of contraction of the economy eased slightly last month.

This is unlikely to signal a bottoming out of the recession, but it marks a contrast with November, when the data were uniformly ghastly. Then unusually weak employment figures were followed by a 1.7 per cent plunge in industrial production and a 5.9 per cent drop in new orders for manufactured goods – the sharpest monthly decline on record.

Optimists can also cite a couple of moderately encouraging industrial surveys. Shortly before Christmas, the Commerce Department's survey of investment intentions indicated a real rise in plant and machinery spending of 0.4 per cent this year.

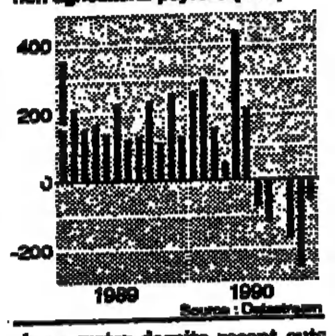
This is far from healthy – it would represent the worst performance for five years. But if a really deep recession were in the offing, say some analysts, planned investment expenditure ought to be a lot lower.

In a separate survey released on New Year's Eve, the Commerce Department forecast that 60 per cent of US manufacturing industries would continue to grow this year, albeit sluggishly, mainly because of the forecast strength of exports.

This picture of an economy continuing to keep its head just above water despite recent cuts in production is understandably popular with the Bush administration, whose official line remains that the recession will be mild and short-lived.

US Employment

Civilian labour force changes, non agricultural payrolls ('000)



A leak of the White House's most recent forecast, prepared to give preliminary guidance for departments preparing their fiscal 1992 budgets, shows only two quarters of declining gross national product, with the sharpest fall occurring in the final quarter of last year.

GNP declines at an annual rate of 3.4 and 1.3 per cent respectively in the fourth quarter of last year and first quarter of 1991.

Thereafter, an initially anaemic recovery begins, with GNP rising at an annual rate of 0.7 per cent between April and June and at about 2 per cent in the second half of the year.

Overall growth of 0.9 per cent is projected between the fourth quarter of 1990 and the final period of 1991.

Given the White House's reputation for optimistic forecasts, it would be unwise to place much reliance on these numbers. However, the majority of private-sector forecasters are also projecting two or, at most, three quarters of negative growth followed by a recovery later in the year.

Some believe the downturn will be brief. Goldman Sachs, for example, expects the fourth quarter of 1990 to be the only negative quarter of this downturn: GNP is projected to decline at an annual rate of 4.4 per cent between October and December but to grow throughout this year, albeit sluggishly.

Ms Gail Fosler, chief economist at the Conference Board, a New York-based business forecasting group, has been consistently bullish. She brushes aside pessimism, arguing that the economy will rebound in the first half of this year, supported by "lower interest rates, lower inflation and a lower dollar".

The optimists' fundamental argument is that recent production cuts have been precautionary rather than a response to collapsing demand.

Companies were unsettled by the Gulf crisis, saw reports of plunging consumer confidence and pushed through pre-emptive cuts in output and employment. But, runs the argument, in the absence of a sharp fiscal or monetary squeeze, final demand will not fall precipitously. Corporate confidence and output will thus recover.

These arguments may easily prove complacent and short-sighted.

The biggest risk – the Gulf aside – is that the fragility of the banking system and the unprecedented burden of private debt will undermine recent attempts to ease monetary policy. Recession abroad may also extinguish hopes that exports will support growth.

Meanwhile, the sickness of falling real estate values may spread.

That said, the optimists' case deserves a hearing. Provided a Middle East war is avoided and oil prices remain moderate, a shallow US recession cannot be ruled out.

Nobody, however, expects a recovery later this year, or in 1992, to be anything but lacklustre.

Brazil seeks to cut 1991 spending by $4bn

By Christina Lamb in Rio de Janeiro

THE Brazilian government is to launch a fresh round of spending cuts aimed at saving more than $4bn (£2.1bn) this year.

It has also stepped up attacks on the constitution, which ministers say needs significant reform to enable fiscal cuts to be implemented.

The moves are in response to mounting criticism that the government is overly reliant on monetary policy in its battle against inflation.

The economic team unveiled the $4bn cuts – equivalent to more than 1 per cent of gross domestic product – while voicing surprise at last month's inflation rate of almost 20 per cent.

State companies will also be required to make cuts – saving the equivalent of a further 0.3 per cent of GDP – and recently elected state governors will have to avoid increased spending.

President Fernando Collor de Mello was set yesterday to accelerate the privatisation programme by announcing 10 more companies for sell-off. These would include Companhia Siderurgica Nacional, a large bankrupt steel company, and Acominas, Brazil's fifth-largest steel maker.

One of the Collor government's biggest successes last year, on paper at least, was to turn the fiscal deficit round from a projected 8 per cent deficit to an impressive 0.5 per cent surplus.

The surplus was mainly due to the moratorium on external and domestic debt, the servicing of which represents 75 per cent of government outgoings. With the resumption of these payments, massive spending cuts will be needed to keep the deficit under control.

Ms Zelia Cardoso de Mello, the economy minister, said changes in the constitution would be necessary to carry through these measures. She pointed out that the constitution, revised in 1988, guarantees job tenure for civil servants with five years' service, which hampered plans last year to sack 360,000 bureaucrats.

Serrano faces tough challenge uniting a divided Guatemala

President-elect must combat an obdurate army and deep social injustice, **writes Tim Coone**

GUATEMALA'S president-elect, Mr Jorge Serrano, is an ambitious man. Having won last Sunday's run-off ballot for the presidency, his self-appointed task when he takes office next week is to unite a country divided by race, religion, a 30-year-old civil war, and an economy in which 60 per cent of the country's wealth is distributed to a privileged 5 per cent of the population, while more than 70 per cent live in extreme poverty.

It is a task his predecessor, the outgoing Christian Democrat president Mr Venicio Cerezo Arévalo, attempted with only limited success.

Emerging after a decade of military rule, President Cerezo's civil administration found its hands tied as soon as it ventured into any area which the military considered its domain, including key areas of economic policy. He survived two military coup attempts during his five years in office.

One of Mr Serrano's priorities is to negotiate a definitive peace settlement with the country's left-wing URNG guerrillas; the first obstacle is that hardliners in the army refuse to participate in any negotiations.

Mr Serrano is therefore proposing a gradual military and police reform, offering a pardon for human rights violators in return for their retirement from the security forces.

He claims the hardliners are now a minority, and that constitutionalists in the military are ready and willing to assume leadership.

Combined with reforms to the judiciary, he hopes the URNG will then come back into the constitutional fold and lay down their weapons.

Several other factors work against Mr Serrano's possible success.

Drug-trafficking has become a major problem. Guatemala is now an important staging post in the cocaine trail leading from Colombia to the US and Europe. Traffickers operate under an umbrella of corrupt police, army and customs officials. Weeding them out will be no easy task.

Meanwhile, the economy is facing potentially its most serious balance of payments crisis in decades. About $330m (£170.9m) is overdue in foreign debt service payments, and a further $600m falls due during 1991. More than 75 per cent of this is owed to multilateral and bilateral institutions, on loans already made on concessionary terms. There is little room for manoeuvre.

Fiscal reforms, abandoned by President Cerezo, will have to be reconsidered by the new president. Government finances are under growing pressure, while a recent study shows less than 100,000 individuals and companies pay income tax out of a population of 8m.

Reforms imply political conflict, however, and those most able to pay are also the most powerful.

Mr Serrano gave a hint that he intends to do battle when he said this week: "I take office having made no promises to any powerful interest group".

His Solidarity Action Movement (MAS) party has only a minority share of seats in the 116-seat Congress, and he will have to seek alliances with the Christian Democrats, with their strong rural base, and the progressive export-oriented business sector.

On the economic front he is likely to opt for financial and trade liberalisation policies – allied with fiscal and even agrarian reform – to improve wealth distribution.

As a protestant evangelical, Mr Serrano breaks with a tradition of Catholic heads of state in Guatemala, and as such has the opportunity to reach out to the country's majority Indian population, which has suffered centuries of discrimination and oppression.

The exclusion of the Indians from most of the country's wealth is arguably the biggest problem facing Mr Serrano.

Fighting in Somali halts evacuation of foreigners

By Julian Ozanne in Nairobi

CONTINUED fighting in the war-devastated Somali capital of Mogadishu yesterday prevented a further air evacuation of those foreigners still trapped in the city.

But reports from Médicins San Frontières (MSF), the international relief agency which landed a medical team in the strife-torn capital on Monday, suggested that fighting had eased and the government remained in control of most of the city.

The rebel United Somali Congress claimed yesterday that a final battle had begun to oust President Mohamed Siad Barre after 21 years of dictatorial rule.

But the seven-person MSF team of doctors and nurses, which made contact with its Brussels office through the Italian embassy in Mogadishu yesterday, said that although there was some shooting it was fairly quiet in the city and predicted the conflict could continue for a long time.

The MSF reports are the first independent analysis made by foreigners who have entered the city since the conflict began 10 days ago.

They appear to confirm suspicions that rebel organisations issuing statements from foreign offices have little contact with their fighters on the ground.

Radio Mogadishu broadcast again yesterday afternoon after a 24-hour break, appealing to people who had fled their homes to go back because "everything has now returned to normal".

A further 47 foreigners were evacuated yesterday morning from Merca, 40 miles south of Mogadishu, to the French repair ship Jules Verne.

But two Italian C130 Hercules transport aircraft remained grounded in Mombasa, Kenya, because officials said the risks of flying into Mogadishu were too great.

Meanwhile, the US said its embassy in Somalia was ransacked "by looters [who] used rocket-propelled grenades to blast down doors and remove office furniture."

Mr Richard Boucher, a US State Department spokesman, also said that he thought the situation in Mogadishu was so anarchic that chances for a negotiated settlement to the conflict appeared slim.

Western diplomats in Nairobi said yesterday the situation was still very confused. However, it is believed that Mr Barre, surrounded by heavily armed members of his own Mareban clan, could hold onto power for several weeks as the late President Samuel Doe of Liberia did last year.

Soviet 'regret' over downing of S. Korean jet

THE Soviet Union yesterday expressed regret over the 1983 downing of a South Korean airliner that left 269 people dead, but denied it covered up the incident, AP-DJ reports from Seoul.

"We regret that innocent Korean people were killed . . .We will check with concerned authorities and let you know if there are any new findings," Mr Igor Rogachev, deputy Soviet foreign minister told South Korean officials.

Mr Rogachev made the comments during the first consultative meeting with South Korean officials in Seoul. It was the first such meeting since the two nations established formal diplomatic relations last September.

During the meeting, South Korean Vice Foreign Minister Yoo Chong-ha asked if there was any truth to a recent report by the Soviet newspaper Izvestia that Soviet divers long ago discovered the wreckage of the Korean jet. Izvestia reported that military divers "climbed all over" the KAL Boeing 747.

Two Philippine army dissidents arrested

TWO leaders of a mutinous army faction were arrested by Philippine security forces as they stepped out of a Manila church after attending a service, the armed forces said on Tuesday, Reuter reports from Manilla.

Army chief Major-General Guillermo Flores told reporters the arrests of Lieutenants Mr Vicente Tomas and Mr Emil Ong on Sunday dealt a major blow to rebel plans to launch destabilisation attacks against the government during the Gulf crisis.

An army spokesman said Mr Tomas and Mr Ong were seized by soldiers after attending the baptism of Mr Tomas's daughter.

The armed forces said Mr Tomas was the operations officer of the Young Officers Union (YOU), a radical army group involved in the December 1989 coup attempt that almost toppled President Corazon Aquino.

It said Mr Ong, who was imprisoned after the failed coup but escaped while on a pass to see his dentist, acted as YOU spokesman, issuing statements denouncing Mrs Aquino's allegedly weak leadership.

"Their capture...will surely disrupt if not totally destroy the future plans of the (rebels) to destabilise the government, especially those monitored to have been planned to be carried out by them amidst the Gulf crisis," Mr Flores said.

Government forces on January 1 recaptured renegade Air Force colonel Mr Rodolfo Calzado who had escaped from jail after being convicted of taking part in a 1987 coup attempt and sentenced to 12 years imprisonment by a military tribunal.

Mrs Aquino has survived seven army rebellions in her almost five years in office.

Defence Secretary Fidel Ramos said last weekend a war in the Gulf could spark civil unrest in the country and a combined right-wing army coup attempt and communist-led uprising.

The armed forces say about 100 officers involved in coup attempts remain at large trying to recruit other soldiers to join them in another putsch.

Charges revived in Pakistan by-elections

Pakistan's ruling alliance looks set to sweep by-elections in Pakistan on Thursday – and to revive the charges of fraud that followed October polls in which ousted premier Mrs Benazir Bhutto was badly beaten, Reuter reports.

At stake are 10 seats in the National Assembly (lower house) and 18 in the four provincial assemblies. Political commentators predict Prime Minister Nawaz Sharif's Islamic Democratic Alliance (IDA) will win most of them.

The PDA accuses authorities of having begun the same kind of electoral fraud it says was responsible for its crushing defeat in October.

Taiwan investment

Taiwan's government-approved investment overseas totalled $1.5bn (£770m) last year, a 66.7 per cent increase from 1989, AP-DJ reports.

Foreign investment in Taiwan dropped 6.6 per cent to $2.3bn in the same period, the government said. The largest share of investment, totalling $428m was in the US.

Manila sell-off

The Philippines privatised Pesos 23.98bn (£470m) worth of assets from 1987 to the end of 1990, AP-DJ reports from Manila.

The 1990 figures show a 139.8 per cent jump from total sales of Pesos 10bn a year earlier.

Climbers lost in Tibet

A joint team of 11 Japanese and six Chinese climbers attempting to scale an unconquered Himalayan peak in Tibet have been missing since heavy snow struck their camp five days ago, China's mountaineering association said.

The 17 climbers failed to reach the 6,740-metre peak of Meili Snow Mountain in the southeast of Tibet on the border with Yunnan province and returned to their number three camp at 5,100 metres. A seven-member rescue team has set out and a plane has been used to photograph the area, the agency reported.

Sudan plays the politics of famine

Khartoum can do nothing to avert starvation, writes Julian Ozanne

In the sun-baked hamlets of Sudan tens of thousands, possibly hundreds of thousands of Sudanese peasants, will this year die from starvation and disease.

Few governments will bear as much responsibility for such a painful and needless human tragedy as the Islamic military junta in Khartoum.

The extremist government has refused to declare an emergency or make a formal appeal for assistance, acknowledging only a temporary food gap of 75,000 tonnes.

It has denied reports of famine as a western-inspired conspiracy to undermine its rule.

Furthermore, it has harassed and obstructed international aid agencies and systematically destroyed indigenous institutions capable of responding to the crisis.

It has also sold off substantial grain reserves, using the foreign currency to pay for arms to prosecute a civil war against the mainly Christian south.

Moreover, its alliance in the Gulf crisis with President Saddam Hussein of Iraq has alienated western and moderate Arab donors.

"At best the government is being criminally negligent," said one western aid worker. "At worst it is nothing short of wilful evil."

Already the first deaths from hunger have been reported in the Red Sea hills. Large numbers of people have begun a desperate journey on foot from their homes in Darfur and Kordofan in search of food.

For many it will prove futile. Heat and exhaustion will claim thousands of lives along the roadside, particularly the young, the old and the weak. For those that manage to straggle into towns and feeding centres food will be scarce and epidemics rampant.

Severe drought and crop failure have come to Sudan for the second consecutive year. But what might have been a manageable problem will almost certainly turn into a human disaster.

Aid workers say up to 8m people will be at risk from starvation in Sudan this year. The Food and Agriculture Organisation, which made a recent crop assessment mission, estimates up to 1m tons of food aid will be needed immediately.

Widespread famine has taken hold in Sudan, and millions face starvation as in 1988

Nobody knows accurately the scale of the looming human catastrophe. But most experts are certain this year's crisis will surpass the drought-famine which struck Sudan in 1983-85 and claimed 250,000 lives.

The blame will lie primarily with the government which, according to Africa Watch, an international human rights organisation, "has recklessly put the profit of a small cartel of Islamic banks and the military and political objectives of a cabal of extremist soldiers before the welfare of millions of Sudanese citizens."

Since seizing power in 1989 the junta led by President Omar Hassan Ahmed el Bashir has pursued an aggressive extremist Islamic philosophy. All independent institutions have been emasculated and the civil service purged of non-Islamic zealots. This has critically undermined the capacity of the Government to respond to the famine.

No emergency agency has been left untouched. Years of experience in the Relief and Rehabilitation Commission has been sacrificed with the dismissal of professional experts and their replacement with pro-regime lackeys.

The Sudanese Red Crescent Society, one of the most effective non-governmental agencies, had its constitution dissolved last year and all its senior staff dismissed.

The Agricultural Bank of Sudan, traditionally responsible for buying government stocks of grain and maintaining a strategic food reserve, has had its functions transferred to Islamic banks.

Foreign aid agencies have been similarly constrained. Impossible bureaucratic obstacles – from lengthy delays over travel permits and customs clearance to confiscation of vital communications equipment and open harassment – have severely hampered their efforts. Some have been expelled.

The Islamic banks have sold off the entire strategic grain reserve to finance a war budget. Between 300,000 and 600,000 tonnes of food were exported last year, much to Iraq. Huge increases in the money supply to pay the domestic costs of the war have sent grain prices rocketing to almost triple the world market price.

Hoarding and speculation are widespread.

Moderate Arab states and western countries, who have traditionally supplied vast quantities of economic aid, have been antagonised by the regime's support for Iraq.

The US cancelled all non-emergency aid early last year and in October turned back a ship destined for Port Sudan loaded with 45,000 tonnes of food aid.

To many nations the famine may prove a means to end President Bashir's dictatorship. But the use of food as a political weapon to unseat the regime will almost certainly cause the loss of thousands of lives which could have been saved.

"A strategy of withholding or delaying food relief in order to achieve political change is both morally reprehensible and practically ineffective," says Africa Watch, the human rights group.

Even if the government does the unimaginable, declares an emergency and opens the doors to international aid efforts, it is already too late to prevent widespread starvation.

The logistics of reaching people in a country with collapsed roads and railways, serious shortages of trucks and spare parts and ridiculous bureaucratic obstacles make any comprehensive relief effort near impossible.

Inevitably drought and disease will kill off thousands of people this year. But a post-mortem would show pride and politics as the cause of death.

S Korea cuts tax benefits for foreign companies

By John Ridding in Seoul

FOREIGN companies investing in South Korea will face a simplified approval process but sharply cut tax incentives from March 1, the Finance Ministry says.

Modifications to the foreign capital introduction law, which go into effect from the beginning of March, mean that in cases where the foreign partner in a manufacturing project holds less than 50 per cent of the capital, they need only report their project to the relevant ministries, the ministry said.

Currently, formal approval must be obtained.

The application process would be further simplified as part of the government's policy of liberalisation.

From next year, minority investments in service industry joint ventures will not require approval and by 1993 restrictions on all investment projects are due to be removed.

At the same time, tax incentives and credits for foreign investments are being substantially reduced.

Tax holidays, which apply to companies in high-technology industries and to those operating in South Korea's two special export zones, will be cut from five to three years.

In addition, taxes on dividend income, property and land, which are currently exempted for five years, will be levied.

Reductions on tariff rates for imports of capital equipment by joint ventures will also be reduced.

The ministry said the measures were being taken "in order to bring about a level playing field for local and foreign companies".

Preferential treatment for foreign investors had originally been aimed at inducing foreign capital and technology, but that this was no longer required.

The rate of direct foreign investment in South Korea has been falling over the last few years.

New foreign investment cases fell from 363 in 1987 to 332 last year and to 177 for the first three quarters of 1990.

The number of foreign companies leaving South Korea has also increased, from about 60 in 1987 to 103 in 1988 and 121 in 1989.

Taiwan postpones Moscow deal

TAIWAN'S first big trade deal with the Soviet Union has been postponed indefinitely because Moscow cannot pay hard currency for the $100m (£51.8m)-worth of merchandise it ordered, a Taiwanese company said yesterday, Reuter reports from Taipei.

"We were ready to ship the goods, but now everything has been halted until we hear how they intend to pay," Mr Hung Hsing-tsung, of Cosmo Brothers Corp, said.

Cosmo, a division of the huge Chung Shing Textile Company, played host in November to the first Soviet trade delegation to visit Taiwan. Taipei has no diplomatic ties with Moscow, but last year eased curbs to give Taiwanese businessmen access to former East Bloc markets.

November's visit culminated in a deal to sell the Soviet Union $100m-worth of Taiwan consumer products, including electronic appliances, medicine, shoes and cigarette lighters. Company officials acknowledged that payment details had not been thoroughly worked out.

Cosmo said the Soviet Union had promised to cover the trade with hard currency, but then said it would pay on a barter-trade basis with shipments of urea, used in making plastics.

When Cosmo officials went to the Soviet Union to discuss the trade, they found themselves battling both a lumbering bureaucracy and unfavourable exchange rates, ultimately causing them to shelve the deal.

Cosmo's announcement came as a second Soviet trade group toured Taiwan. The group has signed a $5m agreement for computers and electronic goods with CMP Enterprise, a Taiwanese computer maker. CMP officials said Cosmo's failure would not effect their plans to expand trade with the Soviet Union.

"I don't know how Cosmo arranged their deal, but we have been strictly barter from the start," CMP president Alexander Chen said, adding that the Soviet Union had agreed to pay for the electronics with aluminium ingots.

GE wins contract for KLM jet engines

By Paul Betts, Aerospace Correspondent

GENERAL ELECTRIC of the US has won a $650m (£336.7m) order from KLM Royal Dutch Airlines for jet engines to power the carrier's new fleet of McDonnell Douglas MD-11 trijets.

The Dutch flag carrier has placed firm orders for 10 MD-11 trijets with options for an additional 10 aircraft.

These aircraft will be powered with GE's CF6-80C2 high bypass turbofan engine.

KLM already operates an extensive fleet of CF6-powered widebody aircraft, including McDonnell Douglas DC-10s, Airbus A310s and Boeing 747-400s.

KLM is due to receive its first CF6-powered MD-11 trijets at the end of 1993.

If all options are exercised, deliveries will run through to 1997.

Hills warns on deadline for Gatt 'fast track' negotiating authority

By Nancy Dunne in Washington

THE US Congress will not agree to extend the Bush administration's so-called "fast-track" negotiating authority in the Uruguay Round past the current March 1 deadline unless a final agreement is within sight, according to Mrs Carla Hills, US Trade Representative.

The "fast-track" authority, which prevents Congress from amending any final Uruguay Round package, is considered necessary to getting agreement. Under the current authority, the Bush administration must submit the package on March 1.

"The way to get the negotiations started is for those countries that have not made the political decision to deal with export subsidies and market access [on agriculture] to try to do so. I'm told that the necessary players [the EC, Japan and South Korea] are making the effort now," Mrs Hills said.

Ever since the talks collapsed last month in Brussels over farm trade, attention has shifted to Washington and the possibility of getting an extension of the fast-track. With the EC developing new domestic farm policies, which could conceivably break the deadlock, the hope is to buy time for the negotiators in Geneva.

After meeting chairmen of several House committees, Mrs Hills concluded an extension would be "difficult" but not impossible if agreement is first reached in agriculture and other major negotiating groups and the bulk of the talks have been completed.

Ordinarily, the deadlocked Round would have been a big political embarrassment for the Bush administration, which has made it the centerpiece of its trade policy. But Congress has been preoccupied with the Gulf crisis.

One farm lobbyist said he had talked to several senators who last year were so dissatisfied with the direction of the negotiations that they signed a resolution to revoke the fast-track authority. Now, many are suggesting that if war breaks out, they will vote for an extension, if the president requests it, on grounds of solidarity in wartime.

"We won't see anything happen until the Gulf is cleared up," said Senator Frank Murkowski, an Alaska Republican. Unlike Mrs Hills, the senator suggested that perhaps the US should soften its insistence on far-reaching reforms in agriculture trade to make other gains.

Meanwhile, the National Association of Manufacturers (NAM) is spearheading an international private sector drive to get the Round back on track. Invitations have gone out to counterpart groups in Canada, Japan, the EC and

Clayton Yeutter and Carla Hills: he moves on, but she stays

Mexico for a conference in Washington on January 24-25.

"We view with alarm the potential escalation in trade friction that is likely to accompany a Uruguay Round failure," said Mr Jerry Jasinowski, NAM's president.

"If governments are forced to become strongly confrontational in the realm of international trade, business relationships and the prospects for world growth will be primary victims."

Mrs Hills said Mr Clayton Yeutter, the agriculture secretary who is to become chairman of the Republican party, will not be leaving his post at the US Department of Agriculture until March 1.

As for Mrs Hills, who has been rumoured on the verge of leaving for several posts, including Attorney-General: "I'm staying right here," she said.

Farm trade deadlock 'could end in month'

THE DEADLOCK over agriculture, which halted the Uruguay Round trade talks in Brussels on December 7, could be broken in the next month, Mr Mats Hellström, Sweden's agriculture minister, said yesterday, William Dullforce reports from Geneva.

To succeed, governments needed to show the will to "pull together" the basic elements of a plan to reform world farm trade which they had already accepted.

Mr Hellström chaired the aborted talks on farm reform at the Brussels meeting and tabled the paper whose rejection by the EC, Japan and South Korea led to the four-year-long trade liberalisation talks being suspended.

Mr Hellström said he had been encouraged by his contacts with governments since the talks failed in Brussels. These showed that leading trading powers, including the EC, were ready to negotiate specific commitments on the three crucial areas of internal farm supports, barriers to imports, and export subsidies.

Some governments were unhappy with particular points of his plan but its structure had not been too heavily criticised. Acceptance of the three conceptual elements offered a base on which to build.

His latest contacts suggested that the mood for negotiating farm reform was now better than at the Brussels meeting. Mr Hellström was in Geneva to report to Mr Arthur Dunkel, Gatt director-general, to whom the trade ministers gave the job of trying to determine how the Uruguay Round can be resumed.

Mr Dunkel visited Washington before Christmas and is due to meet Mr Frans Andriessen, EC Trade Commissioner, and Mr Ray MacSharry, Farm Commissioner, in Brussels on Thursday. He has called heads of delegations to Gatt to a formal meeting on January 15, but success in relaunching the global talks hinges on whether the EC Commission can succeed in its attempt to reform the Community's common agricultural policy.

Commissioners are due to discuss the reforms proposed by Mr MacSharry today, but their crucial meeting on the issue is expected to take place on January 19.

Kobe Steel to carry out steelworks study in Iran

By Robert Thomson in Tokyo

KOBE STEEL, the Japanese steelmaker, yesterday confirmed that an Iranian state engineering company has commissioned it to conduct a feasibility study into the construction of at least one integrated steelworks.

Iran has indicated that it has plans for two steelworks and has asked Kobe Steel to study prospects for a plant in Khorasan, in the north, with a proposed capacity of about 1m tonnes a year.

The Y30m (£115,384) study could be followed by another for a plant at Hormozgan, near the Strait of Hormuz, which is tentatively proposed to be of a similar size to the Khorasan works.

Kobe Steel said plans for the projects are "at a very early stage", and that the company is not yet sure exactly what products the Iranian government considers most important.

● Kobe Steel also said yesterday that it has received a Y20m order to help overhaul steel production facilities for Dimag Stock Corporation of Hungary, which suffers from poor productivity levels in its casting operations.

The Japanese company will began a study of the Hungarian group's operations next month.

Four employees will be sent to the Dimag plant in Miskolc, and four Dimag specialists will be trained at Kobe Steel facilities in Japan.

Indonesia to study idea for regional trade bloc

INDONESIA avoided giving direct backing to Malaysia's proposal for a regional trade bloc to counter trade zones in the West, saying it wanted to study the idea first, Reuter reports from Jakarta.

"We need to consult with our Asean (Association of South East Asian Nations) counterparts," Mr Arifin Siregar, the Indonesian Trade Minister told reporters after talks with his visiting Malaysian countepart, Mr Datin Paduka Rafidah Aziz.

Malaysia proposed forming an East Asian economic group after world trade ministers failed in Brussels last month to agree new trade rules under the General Agreement on Tariffs and Trade.

The new group might include Japan, South Korea, China, Hong Kong and Taiwan as well as the countries which make up Asean – Thailand, Indonesia, Brunei, the Philippines, Malaysia and Singapore – and be designed to counter trade blocs in North America and the European Community.

Mr Siregar, whose country is the largest in Asean, said only that he would study the idea which had earlier been welcomed by neighbour Singapore.

"He will visit other Asean members to talk about the concept and possibly put it on the agenda of the next Asean senior economic officials," Mr Rafidah said.

"Asean's economic strength, could be increased if there are countries in the region together with us," Mr Rafidah said.

Baltics draft evasion reflects general unease

By Leyla Boulton in Moscow

ONE REASON that the Soviet armed forces are resorting to force to round up conscripts is because independence-minded republics are offering more attractive alternatives.

However, the particularly high rate of draft evasion in the Baltics and the Transcaucasus only reflects a generalised distaste among young people for a 3m-strong conscript army where conditions are appalling.

While the overall 80 per cent compliance rate for the autumn call-up across the Soviet Union is not in itself a cause for concern, the Kremlin is focusing its latest campaign on republics where draft-dodgers are the majority. In announcing this week that it would use paratroopers to enforce the draft, the defence ministry singled out seven republics to illustrate an "alarming" state of affairs.

Not accidentally, the draft-dodging rate rises in proportion to how far an individual republic has gone in trying to break with Moscow.

The problem is particularly acute in Lithuania, where only 1,000 out of 11,000 young men have heeded an end-of-1990 deadline for the call-up, with others opting for a Lithuanian defence force. At the other end of the scale, Moldova (formerly Moldavia) and the Ukraine – which have not formally declared plans to leave the Soviet Union – have still come up with more than half the conscripts demanded.

In the Baltics, joining the Soviet army is seen by many youths as tantamount to joining an occupation force which first arrived in 1940 to annex three independent republics. Mr Andras Butkiavicius, head of Lithuania's regional defence force, said the force comprised unarmed volunteers who patrolled its borders or trained for civil defence and relief work. Like Latvia, Estonia has adopted a law on alternative service within the republic but is advising recruits to lie low to avoid Soviet conscription.

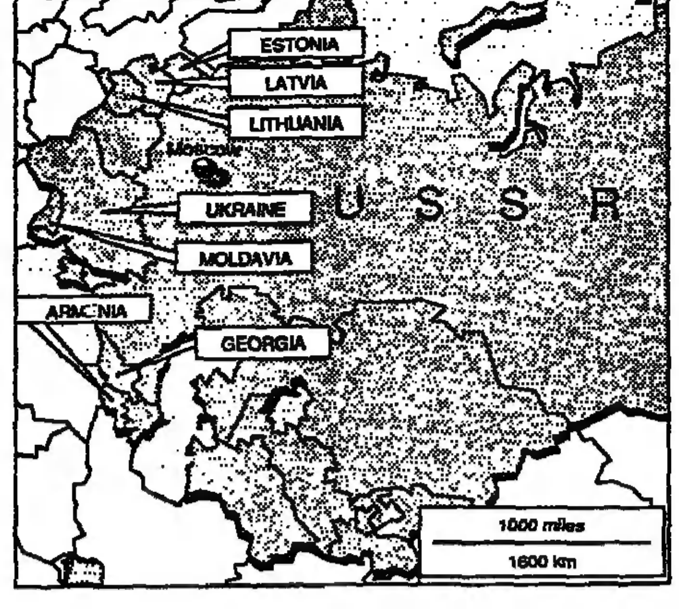
Georgia meanwhile, the most ardent champion of independence after the Baltics, has adopted legislation creating its own national guard but also giving Georgian youths an opportunity for non-military service within the republic.

The Soviet armed forces may feel they have reached a point where they need to take firm action against draft-dodgers. However, the crackdown unfortunately coincides with a time when the republics are feeling threatened by Moscow in every other respect.

REPUBLICS UNDER PRESSURE

Republic	Pop (m)	% non-ethnic	*Military call up	Political demands
Armenia	3.3	6.7	28.1	Full independence after transition period
Estonia	1.6	38.5	24.5	Same as above
Georgia	5.4	31.2	10.0	Same as above
Latvia	2.7	48.2	25.3	Parliament voted to restore independence but after talks with Moscow
Lithuania	3.7	19.9	12.5	Parliament adopted independence declaration but republic is trying to finalise independence in talks with Moscow
Moldavia	4.3	38.1	58.9	Parliament has renamed republic Moldova and voted against signing Union Treaty
Ukraine	51.8	26.4	†	Nationalism remains strong in western Ukraine, a part of Poland until annexed by Soviet Union in 1939

* Per cent complying with call-up as of January 1. † Defence Ministry said draft quotas were not met but was unable to give figures. Sources: Europa World Year Book; Statesman's Year-Book



Baltic troops decision raises new questions about how far the Soviet leader is still in control of events

Gorbachev put to the test by an army flexing its muscles

By Quentin Peel in Moscow

SOVIET president Mikhail Gorbachev was definitely party to the decision to use paratroops to reinforce conscription in the rebellious non-Russian republics.

Mr Vitaly Ignatenko, the president's spokesman, yesterday roundly rejected any suggestion that the Soviet military, or part of it, was becoming a law unto itself.

Yet the very fact that the question was asked underlines the speculation in Moscow about how far Mr Gorbachev is still in control of the increasingly chaotic affairs of a nation torn by apparently irresistible centrifugal forces.

On top of that, the question of how the decision was reached, and what it will mean in practice, is anybody's guess.

Only last Friday, General Mikhail Moiseyev, the Soviet chief of staff, stated flatly that no more troops would be deployed in the Baltic republics, where the nationalist majorities are all dead set on independence. If anything, he said, the troops would be cut.

Confusingly, Marshal Sergei Akhromeyev, the former chief of staff, said the same yesterday, when insisting that there were already quite enough troops in Lithuania to enforce the draft in that republic.

Yet Colonel-General Fyodor Kuzmin, the military commander in the Baltic, specifically informed at least one republican government there that paratroops would be drafted in to do the job, according to Mr Edgar Savisaar, the Estonian prime minister.

"I would have thought it could have been done by troops already in place," one western military attaché said yesterday. "I sometimes feel in my bones that the armed forces here would quite like some of the republics to overreact."

The question is whether the action is a deliberate move by the military towards full-scale martial law in the nationalist republics; whether it is just another sabre-rattling exercise in the long-standing campaign to frighten the secessionists back to their senses; or whether it is no more than it claims to be – a limited exercise to prevent a debilitating rash of draft-dodging, undermining the authority and efficiency of the Red Army.

The coincidence of the move, coming so soon after the resignation of Mr Eduard Shevardnadze, the foreign minister, who warned of an imminent dictatorship, suggests that the first variant may be near the truth he perceived.

In spite of disavowals, there is a growing recognition that a key factor behind Mr Shevardnadze's decision to quit was the growing power and influence of the military, and its sway over Mr Gorbachev. In particular, he is reported to have been furious about the military withdrawing tanks and materiel behind the Ural, in apparent defiance of the Conventional Forces in Europe (CFE) disarmament agreement he negotiated.

Although the Soviet argument is that the equipment has not been destroyed because of sheer physical inability to cope with such volumes, Mr Shevardnadze first learned of the moves from his US counterparts, say to Soviet reports.

"That may have been the last straw, after months of sniping by the conservatives in the military industrial establishment," according to a west European diplomat. "For their part, they were furious at his giving in over naval cuts (which were not included in the CFE agreement.)"

Those problems over the CFE are now calling into question the timing of the US-Soviet summit, scheduled for February 11-13, providing a direct linkage between the revival of military influence in Moscow, Mr Shevardnadze's resignation, and super-power relations.

Mr Ignatenko said yesterday that Moscow was not sending any signals that the summit should be postponed, although he admitted that the CFE problems existed. On the other hand, he insisted that there should be no linkage between CFE and strategic arms cuts, which are supposed to be finalised by the summit.

There is no doubt that the Soviet military has been feeling increasingly aggrieved at continuous criticism, and at having to absorb huge cuts in manpower, while undergoing the upheaval of retreat from eastern Europe without any decent homes to return to. Add to that being the butt of bitter nationalist criticism in republics from the Baltic to the Black Sea, and the backlash is understandable.

The fact that the military has made it voluntary for soldiers to serve in ethnic trouble spots, including both Transcaucasia and the Baltics, suggests that the high command is not itself too confident of the discipline in its ranks.

All the more reason, therefore, to take a strong stand over conscription, with the added bonus that it provides a very timely warning to dissident nationalists about how much power they really exert. If it prompts a violent backlash from civilians, many in the Soviet military establishment would not regret it.

Latvians protesting yesterday outside Soviet Army Baltic headquarters in Riga

Dutch tribunal halts plans for coal-fired power plant

Ronald Van De Krol in Amsterdam

THE DUTCH government has been ordered by an industrial tribunal to suspend plans to build a coal-fired power plant in Rotterdam.

The tribunal had upheld an unusual complaint brought by Texaco, the US oil company, which argues that its own proposals for the construction of a plant based on coal gasification technology would harm the environment less than a conventional coal-powered generating station.

Until now, the economic affairs ministry has rejected coal gasification, saying the technology is not commercially ready to be used in the 600MW Rotterdam plant, which is scheduled to come on stream in 1997.

Ruling in Texaco's favour, the tribunal issued a restraining order against the government, saying the state should have conducted an environmental impact study before deciding to build the plant.

Construction was due to begin in 1992.

The government now faces the choice of pursuing the case through the courts or agreeing to carry out an environmental study.

In either event, the tribunal case – an unusual incidence of an oil company taking a government to court on an environmental matter, rather than vice versa – has reopened the debate about coal versus coal-gasification technology.

Two other coal-fired plants are already under construction near Rotterdam and Amsterdam and are due to be completed in 1993 and 1994 respectively.

Mr Ed Gersthrein, Texaco's European director for gasification development, said:

"In the court case, we weren't saying that the government should have selected Texaco but that it should have considered gasification."

However, if coal gasification is selected, Texaco believes its technology would win out over that of competitors such as Shell and British Gas Lurgi, the Anglo-German joint venture.

Texaco argues that its commercial-scale demonstration plant in California, together with its other projects in the gasification field, show that the technology can be harnessed for use in a 600MW power station.

The Dutch electricity producers' association (SEP) believes that the building of a commercial coal-gasification plant at this stage could pose threats to the reliability of energy supply.

SEP is currently building a 253MW demonstration plant for coal gasification which will be based on technology developed by Shell.

The electricity industry wants to await the results of this plant, which is scheduled to open in 1993, before pushing ahead with coal gasification, which it acknowledges is cleaner than conventional coal technology.

Talks begin on a closer political union in the EC

By David Buchan in Brussels

NEGOTIATIONS for closer political union among the 12 EC states started yesterday when their president, Luxembourg, tabled a discussion paper on which new powers should be given to the community and which should be left to national governments.

The inter-governmental conference (IGC) on political union will involve senior officials of the members meeting weekly, with the first ministerial review due on February 4.

But the political union negotiations, expected to last until autumn, will not take place in a vacuum.

The outcome of the Gulf crisis, on which the members have had difficulty in coming to a common line, will have an important effect on discussions about a common security, and possibly defence, policy.

On internal policy, Luxembourg says it will use its presidency to make further developments in the controversial social field which the IGC would register in treaty amendments reinforcing Community competence in this area.

At a meeting on Monday with the European Commission, Mr Mr Jean-Claude Juncker, of Luxembourg's Christian Democrat politics who is minister of labour and finance, told the European Commission on Monday that he hoped for rapid passage of various labour market directives to which the UK in particular objects.

Prime Minister Mr Jacques Santer, the prime minister, also stressed the need for movement in the deadlocked GATT talks, reform of the common agricultural policy and the 87 directives that remain to be adopted out of the 280-point single market plan.

Pöhl says EMS realignment 'not realistic'

A REALIGNMENT of the European monetary system (EMS) is not a realistic option, according to Mr Karl Otto Pöhl, the Bundesbank president, Reuter reports from Basle.

"It's not a realistic alternative in my view," Mr Pöhl said after the monthly meeting of governors of the Bank for International Settlements.

"We have to recognise that we have gone much further [into monetary union] than most people are aware of. Nobody wants to devalue.

Mr Pöhl said that Mr Robin Leigh-Pemberton, governor of the Bank of England, had told him that the British Government had no intention of devaluing sterling within the EMS regardless of consequences.

Financial markets have speculated in recent months that the prospect of Germany raising interest rates in order to help finance unification and control an economic boom could put the EMS under enormous strain. Without a realignment other EC countries could be forced to inflict damage on their own, weaker, economies by raising interest rates to maintain EMS parities.

Mr Pöhl added that while the D-Mark remained the anchor of the EMS it was very important to maintain its reputation as a hard, low-inflation currency. He also confirmed that finance ministers and central bank governors of the Group of Seven leading industrial nations would meet in New York on between January 20 and 21 next.

He said that meeting might be inconvenient for some other countries but said it was "absolutely necessary, because if the anchor of the EMS was loosened what would happen ?"

● Unemployment rose in both eastern and western Germany in December, but the federal government says it is not worried by the figures, Reuter reports from Bonn.

The increase in unemployment in the western part of the country was due exclusively to seasonal factors, Federal Labour Office president Heinrich Franke said on Tuesday.

And the strained job market in what used to be East Germany, are is expected to start improving later this year, he said.

East Germany beckons with one hand, repels with the other

Andrew Fisher explains why one British company gave up the struggle to establish an operation in the east

RED TAPE, poor communications and difficulties over land ownership have forced Metsec, a medium-sized British building products company, to abandon enthusiastic plans to set up a plant in east Germany and plump for west Germany instead.

Its experience is a vivid illustration of the obstacles encountered by foreign companies seeking a foothold in the eastern states of Germany, impoverished after decades of Communist rule but full of potential for rapid growth.

The Midlands-based company started with every intention of locating its structural steel section plant in the east. When it began looking, the two Germanys were not united. While Metsec saw its main potential market in west Germany, it was keen to obtain a foothold in the east, where the construction sector stands to benefit from the huge needs of economic development.

When interviewed in the summer (FT, August 29), Mr Stephen Tilsley, Metsec's commercial director, was about to go on the road again to look for locations in the western part of what was then still East Germany. With him was Mr Peter Sachse, one of two managers taken on from VEB Walzwerk Finow, an east German steel section company with which Metsec had held abortive talks on a joint venture.

Now, for reasons of convenience and timing, however, the UK company has opted for a site at Neuss, near Düsseldorf and not far from Cologne, home of another Metsec subsidiary, Präzisions-Profil, a maker of light industrial sections. This Metsec bought just over a year ago.

Since Metsec was so set on moving into east Germany, in contrast to the hesitancy of other UK concerns, why did it decide that starting a second German business would be better in the west?

Mr Tilsley and Mr Sachse give three main reasons: bureaucratic delays and the inexperience, though not necessarily unwillingness, of local authorities in the east; the reluctance of many east German companies to part with individual properties rather than sell their whole operations; and communications problems.

In the end, it was mainly the latter which led Metsec to give up. Its managers also believed the rebuilding of east Germany's economy would take longer to get under way than first thought.

Metsec had actually found a site, at Bleicherode, just inside east Germany and two-thirds of the way down the former border. Unlike other production facilities the two men had visited, this was both usable and carried no requirement that existing jobs be taken over. Thus it was the only one that was really suitable.

The company found the site, formerly the maintenance workshop for a potash mine, last September. But to round off their odyssey, Mr Tilsley and Mr Sachse went over to the state of Hesse to see what was available in western Germany. There, they were directed to several promising sites, and found Hesse's Frankfurt-based industrial development staff far more alert and helpful.

In the end, Metsec had three choices. It could set up in east Germany, or in the Kassel or Fulda areas of eastern Hesse, or near its existing Cologne company.

The decision to take the last option was not easy, Mr Tilsley recalls. "It was hard to be analytical, but I had a gut feeling this would offer the lowest risk." He felt it would give Kalt Profile, Metsec's newly-formed German steel section operation, the best chance of breaking even quickly. Production should start in March, the investment in two rolling mills being around DM1m (£350,000).

The proximity to Cologne will not only save management time, but also get round communications problems in the east, where telephone lines are pitifully inadequate. Metsec was aware of this. It had originally thought it could manage with mobile phones, but then decided these were not a good enough substitute for the sophisticated links in the west, especially in an industry requiring rapid deliveries.

Metsec expects around 80 per cent of Kalt Profile's business to be in west Germany over the long run and 20 per cent in the east. There should be a period when the proportion in the east bulges beyond this level, as the pace of economic reconstruction accelerates.

It had become clear to Metsec by last autumn that doing business in the east German building sector would initially be a struggle. Mr Günter Breit, the other east German manager, had discovered that volume needs for steel sections were lower than expected, since building activity had not picked up much.

"Also," Mr Tilsley said, "there was a resistance to buying east German products on this [the west German] side of the fence. Hopefully, this will be short-lived."

The sharp drop in east German industrial output as the old system crumbles will cause further difficulties. "A lot of factory buildings are going to be empty at some stage. With another year of recession in the east, I felt there would be an over-supply of rented space, so that companies would not have to build."

Demand for Kalt Profile's sections in new buildings could thus take time to develop in the east, even though the overall construction needs are enormous. Moreover, rents there should drop further until business activity picks up. So it could be cheaper for a company like Metsec to rent property later on.

It has become increasingly clear that many important decisions about industrial contracts in east Germany will be made in the west, where the money is. West Germany may be east Germany's "rich uncle", but Mr Tilsley said it is also acting like "a very hungry wolf", keen to exploit the huge eastern appetite for products made in the west.

At this stage of economic confusion in the east, the much-needed wave of new investment has hardly begun. Metsec may invest directly in the east later, when rents are cheaper and prospects more clear. But for the moment, it is content to serve the market from a secure base in the west.

GM and Slovaks 'close to accord'

GENERAL Motors and the Slovak Republic are close to agreement on wide-ranging co-operation between GM and the BAZ vehicle manufacturer in Bratislava, Mr Vladimír Meciar, the Slovak prime minister, said yesterday, writes Leslie Colitt in Bratislava.

The accord would follow on the heels of Volkswagen's agreement last month with Skoda to take a 75 per cent share in the car company, which is located in the Czech Republic. A GM contract with BAZ would underscore Slovakia's determination to follow its own economic interests, after decades of what it sees as neglect by the Czechoslovak federal government in Prague.

Slovakia last month rejected GM's package of demands for financial incentives and negotiations subsequently reopened between the Slovak authorities and VW.

However, Mr Meciar said that Slovakia in fresh talks with GM, had now agreed to the company's original condition that Bratislava provide DM150m worth of infrastructure support in addition to an initial GM investment of DM300m.

The Slovaks also decided to go along with the company's demand for a 10-year tax holiday.

Industrial orders fall in west Germany

West German industrial orders fell by 3.5 per cent in November, suggesting a slackening in economic activity thanks largely to a sharp drop in foreign orders, writes David Goodhart in Bonn. The latter dropped by 7.5 per cent in November, according to figures published yesterday.

A two month comparison for October and November registered an overall drop of 1.5 per cent on the previous year.

The jobless figure in the western part of the country rose to 1.78m in December from 1.69m in November, but was the lowest December level since 1981. In the east it increased by 53,000 to 642,000, or 7.3 per cent of the working population. The number on short-time working is just under 1.8m, of whom 41 per cent are working less than half of normal working time.

A senior member of the Bundesbank's policy-making council, Mr Karl Thomas, has meanwhile predicted real GNP growth in the whole of Germany at "3 per cent and more" for 1991. This is rather more optimistic than the estimates of about 2.5 per cent from the economic institutes.

Romania switches on to free electricity

Germany has started delivering free electricity to help Romania's chronic energy shortage, Reuter reports. The Bonn Foreign Ministry said the supplies, which will continue until the end of March, were worth DM50m (£17m).

Western states have been slower to help Romania than other formerly communist states in eastern Europe that have moved more rapidly towards democracy.

German aid so far to the Balkan state is less than that given to Poland, Czechoslovakia or Hungary.

The ministry added that the 785 gigawatt hours of electricity were intended as a contribution to Romania's economic stability and the success of Prime Minister Petre Roman's reform policies.

Serbia accused over loans

Yugoslavia's federal government yesterday accused Serbia, the country's biggest republic, of undermining the national monetary system by taking illegal loans, Reuter reports from Belgrade.

A statement reported by Tanjug news agency that said the Serbian parliament had decided secretly to take an 18bn dinars ($1,7m loan from the Serbian national bank, which was contrary to existing borrowing rules. The government said the loan involved new money which would help to boost inflation and undermine Prime Minister Ante Markovic's reforms based on tight monetary policies.

It ordered the Yugoslav national bank which prints the country's money, to impose tight surveillance on the republican banks with a view to prevent similar loans in the future.

Police hand over old guns

Berlin's police yesterday gave the German army 1,500 unwanted machine guns, a reminder of the semi-military role the police had when the western half of city was walled in and surrounded by Communist East Germany, Reuter reports from Berlin.

EUROPEAN NEWS

Swedish trade unions divided over wage agreement

By Robert Taylor in Stockholm

SWEDEN'S trade unions are *divided over whether to support* a new national two-year wage agreement.

Today is the deadline for the *acceptance of a proposal on pay* restraint made just before Christmas from the country's independent public mediator – the *Rehnberg* commission. The proposal is designed to reduce Sweden's inflation rate from the current figure of *more* than 10 per cent to around 4 per cent by the end of next year.

The plan favours limiting wage increases to only 1 per cent for the three quarters of *Swedish workers* earning under SKr170,000 a year from 1 July this year.

There would be no pay rise *at all for those earning* more than that figure. All workers would receive a 3 per cent pay increase in April 1992.

However, the proposal is being opposed by the PTK trade union organisation which represents the country's 570,000 white-collar employees in the private sector who want *to see local pay bargaining* continue on top of any national wage norm.

The unions covering shopworkers, *miners and transport* workers have also rejected the Rehnberg plan.

The only major union so far to back the wage proposals is the local government workers representing 640,000 employees while the all-important Metalworkers favour further discussion on a more flexible deal.

Despite their ideological resistance to any suggestion of national wage agreements, Sweden's main employers *organisation SAF yesterday* said it would support the Rehnberg commission proposals because of the country's difficult economic situation.

The engineering employers are also backing the mediator's plan. However, unless the unions, hostile to Rehnberg, change their minds any *national attempt at voluntary* pay restraint will fail. Reluctantly the government would have to intervene to try and *hold down wage rises.*

Tomorrow's austerity budget from finance minister Mr Allan Larsson may indicate what he intends to do with pay if a national consensus cannot be achieved quickly.

But further talks can be expected through the Rehnberg commission to try and reconcile the different union positions with the need for a strategy to restrain wages.

Ministers point out that without a national agreement on pay wage pressures will have to be reduced through much higher unemployment, a course that they wish to avoid.

Dispute threatens conservation of Parthenon

Kerin Hope examines restoration and intervention in classical Greek architecture

HOW much of a unique Greek temple should be restored? The question may sound academic but it has provoked a bitter dispute which now threatens to delay conservation work on the Parthenon, the outstanding but badly battered masterpiece of classical architecture.

A group of Greek architects, civil engineers, chemists and stonemasons will probably spend most of their careers repairing the damage done to the 2,400-year old temples on the Acropolis hill by earthquake, warfare and atmospheric pollution.

They started 15 years ago, *after cracks appeared in marble* blocks replaced by an earlier restorer, and sculptured surfaces were found to have been eaten away by acid rain.

Until now, the Acropolis restoration has stayed remarkably free of political interference or scholarly infighting.

However, the launch of the most ambitious project to date, re-erecting a section of the "pronaos" – the portico behind the Parthenon's east facade leading to the main doorway – has run into fierce opposition from a small but influen*tial minority.*

At issue is a set of four proposals put forward by Dr Manolis Korres, the senior architect on the Acropolis restoration team.

They range from a cautious rebuilding of two broken columns to a full scale restoration of all six that spanned the "pronaos". The row of columns would then be linked with original lintel blocks and capped with replicas of part of Pheidias' famous frieze.

The Acropolis: are restoration works saving or falsifying the damaged classical temple?

The restoration team, which makes a point of consulting regularly with experts abroad, won broad approval for Korres' bolder proposals at an international conference held in Athens last year. However, when it came to a vote, the Acropolis committee, which supervises the project, compromised in favour of re-erecting just *two* columns and *adding* two blocks of frieze on top.

"There is always anxiety about the percentage of new marble you should add. But I'm in favour of this solution. A lot of ancient marble will go back into position," said Dr Petros Calligas, the archaeologist in charge of the Acropolis site. The two columns to be restored are among those blown out in 1687 when a shell fired by a Venetian army besieging Athens hit the Turkish defenders' gunpowder store inside the temple.

Dr Korres, who spent months combing the surface of the Acropolis for missing pieces of the Parthenon, says he has recovered enough fragments *to ensure* that 72 per cent of material used in the two-column restoration would be original marble.

The gaps would be filled with fresh white marble from quarries on Mount Penteli, north of Athens, which were used by the ancient builders. The new surfaces would later be coated with a coloured patina now being developed by the chemists that would harmonise with the original honey-coloured stone.

The Acropolis team clearly finds the prospect of adding a new visual dimension to the ruined temple immensely exciting. Much of their work so far has involved removing iron clamps inserted in marble blocks by Nikos Balanos, an enthusiastic but misguided restorer of the 1920s.

The clamps rusted and expanded, cracking the surrounding stone. Several hundred blocks, weighing up to 13 tons each, have been hoisted down by a specially designed crane.

The iron is being replaced with non-corrosive titanium embedded in Portland cement. The restorers have also taken down a number of sculptures defaced by pollution and put cement copies in their place.

This kind of conservation work *is acceptable to the Culture* Ministry's chief of restoration, Dr Jordan Dimakopoulos. But he objects to the "pronaos" project as "an excessive intervention, quite unsuitable for a classical temple."

He claims that too many of the fragments belong to the central core of the columns rather than their fluted surfaces, so that when the restoration is complete, mostly new marble would be on view. "However skilled your workers, they can't reproduce exactly the touch of the 5th century BC masons. You would be falsifying the Parthenon," he said.

The Culture Ministry's council for archaeology, which approves restoration projects for Greece's ancient monuments, overruled the Acropolis committee and backed Dr Dimakopoulos. Now the decision on whether to go ahead rests with the minister, Mr Tzannis Tzannetakis.

In the meantime, the council suggests testing the visual impact of the proposed restoration by putting up temporary columns made of plaster - a proposal dismissed by the Acropolis restorers who say they cannot waste a year producing casts.

"Unfortunately, there is no black and white in restoration," said Dr Galligas. "Going "too far" is very difficult to determine."

IMF loans of $1.8bn for Prague

By Peter Riddell, US Editor in Washington

CZECHOSLOVAKIA *is to* receive $1.8bn in loans from the International Monetary Fund to assist its economic *reform programme* and to offset the impact of higher oil prices, only four months after it rejoined the organisation.

The credit, the largest to any central European country from the IMF, will be followed by World Bank loans, currently being negotiated, to improve banking and telecommunications and to accelerate the privatisation of previously state-owned industries.

The new IMF loans consist of a standby credit of $883m available over the next 14 months to assist the second stage of the reform programmes, including price liberalisation and privatisation, and special facilities totally $900m to help offset the current sharp increase in oil costs.

This follows the end of the previous arrangements with the Soviet Union whereby oil was bought at subsidised prices in return for bartered goods.

The shift to purchases in hard currencies at world prices has an even greater impact because of the rise in oil prices resulting from the Gulf crisis.

Some $448m of the special facility can be drawn immediately, while $241m will be available later, and $210m will be contingency credits available only if oil prices increase to higher than anticipated levels.

CONTRACTS & TENDERS

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Pricing policies at London's Heathrow airport are threatening to squeeze out Britain's smaller regional airlines

Manx takes complaint to Civil Aviation Authority

By Sue Stuart in Douglas

UK REGIONAL airlines are becoming increasingly alarmed at the prospect of being squeezed out of London's heavily congested airports by pricing policies designed to favour bigger carriers and larger aircraft.

Manx Airlines, which serves Isle of Man, UK and Irish destinations, is the latest regional carrier to criticise pricing policy at London's Heathrow airport. The airline is to appeal to the Civil Aviation Authority against the 26 per cent increase in airport charges due at Heathrow from April.

Manx Airlines operates three flights a day from the island, which lies between Britain and the Irish mainland, to Heathrow. BAA, which owns Heathrow, charges the same landing *fee for all aircraft, regardless of* size, as well as a fee per passenger. Regional airlines, which generally operate smaller aircraft, are the hardest *hit by price increases.*

Mr Terry Liddiard, managing director of Manx Airlines, expressed dismay. "After increases of 50 per cent over *the last three years we had* hoped BAA would relax the pressure for a while, particularly in view of the current situation affecting aviation as a *result of the Gulf crisis.*

"But once again the worst impact of the increases has been directed at regional operators and we are more than *ever convinced the BAA, in* spite of annual pious denials, is doing all they can to try to force operators of smaller aircraft to pull out, leaving slots *for larger and more profitable* customers," he said.

Regional airlines feel particularly aggrieved because many of their passengers book to *international destinations,* changing to larger airlines at Heathrow.

They feel the services they offer to Heathrow are vital to the travelling public and are anxious not to be priced out of viability on these routes.

Several smaller operators have fought against recent increases in charges, but the structure has been imposed on the BAA by the Monopolies and Mergers Commission.

Mr Liddiard believes the chances of the CAA intervening are slight.

"The actions of the BAA, whilst outside the spirit of the conditions imposed by the Monopolies and Mergers Commission, appear to be within the letter of the law; it is unlikely anything can be done through this channel."

The challenge to the CAA comes at a time when it is reviewing rules for air traffic distribution in the London area.

Manx Airlines is also seeking involvement of the Isle of Man government. The company *wants the island* government to use pressure "to have the increases at Heathrow shared out on a more equitable basis among all users, instead *of being so heavily weighted* against the passenger who has to travel on smaller aircraft."

The airline says it will have to pass the increase on to passengers and may need to change destination if increases continue.

BRITISH CHANCELLOR LAMONT UNVEILS PROPOSALS FOR HARD ECU IN EUROPE

Qualified welcome in Luxembourg and Brussels

By David Buchan in Brussels

BRITAIN'S hard Ecu proposals were yesterday welcomed in Luxembourg, which holds the EC presidency, and in Brussels, for the degree to which they overlap with the monetary union vision favoured by the UK's 11 partners.

The proposals, which put the *ideas that the UK has been* spelling out since last June into treaty language, provoked little surprise among the EC presidency or Commission, *except perhaps the extent to* which some of the key points are phrased as alternatives (on the independence of national central banks) or stated condi*tionally in square brackets (on* government guarantees of the hard Ecu's value).

The UK has proposed that a European Monetary Fund be *set up to issue and manage the* hard Ecu.

Hints in recent days that British negotiators at the intergovernmental conference (IGC) *on monetary union would not* make a fuss about the name of the new institution, and could agree to a European System of Central Banks (ESCB), were confirmed by the fact that the UK-proposed EMF had almost exactly the same structure as that proposed for the ESCB last month by the committee of EC central bank governors.

Luxembourg presidency officials took this as a UK plaudit for the central bank governors' work, as well as a sign of ever-increasing British flexibility.

Fund could be basis of central bank

By Peter Marsh, Economics Staff in London

Norman Lamont

THE NEW European monetary institution set up to administer Britain's proposed hard Ecu currency could evolve into a pan-European central bank, Treasury officials said yesterday.

The new institution – operating as the European Monetary Fund *(EMF) – could also* take on the job of running the European Monetary System's exchange rate mechanism (ERM), of which the hard Ecu *would be one member.*

These points emerged as Mr Norman Lamont, the Chancellor of the Exchequer, published formal proposals for setting up the EMF as part of Britain's contribution to the debate on European economic and monetary union (Emu).

Mr Lamont said the hard Ecu *and the EMF – both of* which could be introduced after 1994 – could provide "a basis for an agreement [on Emu] which meets both British concerns and also the aspirations of our Community partners."

Mr Lamont said Britain was open to suggestions on modifying its proposals – due to play a part in stage two of Emu prior to the final phase. *Some of Britain's European Community* partners hope to see the final phase completed by the end of the century with the establishment of a European *"superbank" to handle* pan-European monetary policy and a new single currency.

Under the UK's plan, the hard Ecu – which would carry a *government guarantee that it* could never be devalued – would be used in conjunction with other European currencies, although it could evolve *into the single currency* ultimately.

It would enable European businesses to cut transaction costs and help in the effort against inflation.

The proposed EMF would be run by a committee, members *of which would include the* governors of existing European central banks. However, they would be protected from interference from their own governments, so that they could take tough decisions, such as forcing existing central banks to repurchase hard Ecus from the EMF in exchange for their own currencies, should these be losing their value.

The UK's proposals, to be discussed by European nations over the next six months as part of the Emu debate, outline how the officials of the EMF could also take over the job of running the ERM. This task is now handled by two bodies: the European Community's monetary committee and the EC's committee of central bank governors.

Ecu: the main points

● The hard Ecu would be managed by a European Mone*tary Fund, whose members* would be the central banks of the 12 European Community nations. Its prime objective would be "to promote and *maintain price stability* in the Community".

● The executive board of the EMF would comprise a president, vice-president, and four other directors "of recognised standing and professional experience in monetary or banking matters".

● The executive body would be assisted by the governors of existing European central banks. These people would be part of the EMF's governing board, but would not vote.

● The governing and executive board of the EMF would "be completely independent.... of any Community institution, national *government* or any other body or person".

● National central banks would be the sole subscribers and holders of capital to the EMF. *The value of this capital* has not been decided.

● The central banks would receive hard Ecus from the EMF in exchange for specific *amounts of currencies.*

● The hard Ecu "is only one possible name" for the common currency. The Treasury is open to suggestions on this.

● *National monetary authorities* of the 12 EC states would "be obliged to repurchase excess quantities of their currencies from the EMF" under certain circumstances – such as if their currencies are devaluing.

● Exchange rates for the hard *Ecu against the other currencies* in the European exchange rate mechanism would be fixed by mutual agreement. The EMF would not reduce the *exchange rate for the hard Ecu* against any of the other currencies

● If the executive board of the EMF considers that a member government *is failing to* meet its obligations with respect to the fund, it could, if all else fails, bring the matter to the European Court.

● National central banks would assist the EMF, but would "continue to carry out their responsibilities under national law provided that these do not interfere with their obligations" according to the EMF statutes.

● The EMF would operate in financial markets in buying and selling hard Ecus and other currencies. It would conduct credit operations by set*ting hard Ecu interest rates.*

● The EMF would have exclusive rights to issue notes and coins in hard Ecus. These are not envisaged for several years.

BRITAIN IN BRIEF

UK Union to agree wage freeze

The Transport and General Workers Union is *recommending* a six-month wage freeze for 800 workers at a distribution company. It is the first known example of union leaders agreeing a wage freeze in the current recession.

Stewards of the union at London Carriers *International*, a distributor of electrical goods, have recommended that workers accept a freeze followed by a rise of between 8.75 and 9.25 per cent *from* June 1.

Ford's market share reduced

Ford's grip on the UK car market leadership weakened last year, despite its declared medium-term intention of recapturing the 30 per cent market share it held for much of the 1980s.

Instead, Ford's share *of total* sales – excluding Jaguars – fell to 25.25 per cent, from the 26.45 per cent it enjoyed in the previous year.

It retained its leadership of the UK fleet market, though its lead was cut substantially. Its Sierra model was toppled from its perch as the best-selling fleet car by arch-rival, the Vauxhall Cavalier.

Dowty Fuel cuts 300 jobs

Dowty Fuel Systems, the aerospace and defence contractor, is to close its Cheltenham, Gloucestershire, plant with the loss of 300 jobs. It blamed cuts in arms spending and military orders.

"Strategic programmes in future will concentrate more on civil applications where recent successes have been achieved for several projects," the company said.

● *Four hundred jobs* were put at risk when Dennis Castings Group called in the receivers. This casualty provides further evidence of *the strains* in the engineering industry caused by high interest rates and reduced orders at a time of increasing costs.

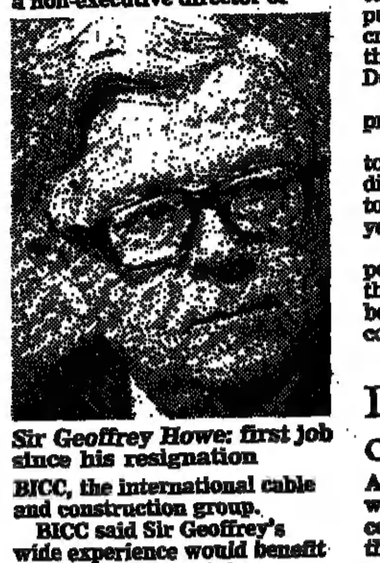
Airline goes to administrator

Aberdeen Airways, which was formed in 1989 to *operate* scheduled services from Aberdeen, Scotland, has gone into administration.

However, it will continue to operate its routes which include Edinburgh, East *Midlands*, Manchester and Wick.

Howe takes post at BICC

Sir Geoffrey Howe, former Conservative chancellor of the *exchequer* and foreign secretary, has been appointed a non-executive director of



Sir Geoffrey Howe: first job since his resignation

BICC, the international cable and construction group.

BICC said Sir Geoffrey's wide experience would benefit the company, which has increased its international profile over recent years, notably through acquisitions of cable companies in the US, Spain and Italy.

Sir Geoffrey will receive the standard salary for BICC non-executive directors of about £20,000.

BBC beats rival ITV network

The BBC has won *its annual* battle against the ITV network for the lion's share of the Christmas television audience.

BBC1 and BBC2 attracted 54 per cent of the audience during Christmas week. BBC1 was the most popular channel with nearly 45 per cent of all viewers. ITV attracted just over 39 per cent of the audience and Channel 4 nearly 7 per cent.

Eastenders, BBC1's soap opera set in the east end of London, was the most popular programme. One episode was watched by 20.17m people, narrowly beating Coronation Street, ITV's northern soap, which mustered an audience of 20.16m for one of the week's episodes.

Business rates exemption

Homes used for bed and breakfast accommodation for six or fewer people are to be exempt from business rates.

Only people providing bed and breakfast as a subsidiary use of their own homes will be exempt, Mr Michael Portillo, the local government minister, said.

Dutch interest in ECGD

NCM, the Dutch credit insurance agency, became the first foreign company officially to express an interest in purchasing the short-term credit insurance division of the Export Credits Guarantee Department (ECGD).

This division is to be privatised later this year.

The company said it plans to bid for the Cardiff-based division which insures £13bn to £14bn worth of exports a year.

NCM declined to give details pending confirmation from the government that it would be on the shortlist of companies invited to bid.

Labour party opposes quotas

A future Labour government would use measures such as contract compliance, rather than quotas, to encourage

Roy Hattersley: not in favour of quotas

employers to recruit more ethnic minorities, Mr Roy Hattersley, the opposition's deputy leader, said.

Mr Hattersley said initiatives to increase workplace equality would encourage better practice by employers rather than compelling them through a quota system.

UK ECONOMY

Company profits suffer steep drop after start of recession

By Rachel Johnson, Economics Staff

UK COMPANY profits have registered their steepest quarterly drop since 1981, according to official figures yesterday which reopened City of London speculation about a cut in interest rates to ease the recession.

The latest Central Statistical Office data showed that high interest rates and static demand hit profits of industrial and commercial companies from the start of the recession – which is acknowledged to *have begun in the third quarter* of last year.

Companies' gross trading profits, after deducting stock appreciation, were down £1.3bn to £15bn in the third quarter of last year, a drop of 7.8 per cent. At an annual rate, profits fell 3.1 per cent over the quarter.

Evidence of profits shrinking so rapidly at such an early stage of the downturn led some economists to expect renewed *calls for cuts in base rates.* They suggested that even bigger drops would be revealed in subsequent quarters.

Mr Neil Mackinnon, economist at Yamaichi International, a Japanese-owned investment house, said: "Company profits will remain squeezed throughout the year as demand stays flat – the corporate outlook is pretty dismal."

Separate CSO data showed that the personal sector has also made a sharp adjustment to the protracted period of high interest rates. As consumer *spending slowed, the savings* ratio – personal saving as a proportion of total personal disposable income – rose over the same quarter from 7.4 per *cent to 8.8 per cent, the highest* level since 1985.

The ratio has been increasing since interest rates were lifted to 13 per cent in 1988, giving an incentive for people to save more and protect the real value of incomes against *rising inflation.*

Mr Simon Briscoe, economist at Greenwell Montagu, the London investment house, said the rise in average earnings growth last year of 10 per cent helped to push up the savings ratio, which he expected to reach double figures next year.

The figures, which have added some more flesh to the outline of the corporate recession, did not provoke much market reaction. However, analysts said they were important as they indicated that the recession had been quicker to bite, and would be deeper, than previously thought. The bleak picture provided was expected to limit the projected rise in the UK equity market this year.

The figures showed that dividend payments were still rising, by 12 per cent to £5.5bn in the third quarter. But total receipts were 27 per cent lower than in the second quarter and falling at an annual rate of 23 per cent. The value of the increase in stocks and work in progress fell by £1bn in the quarter.

Tenders may be used to extract best price in electricity sell-off

By Clare Pearson

THE government is expected to ask institutions to submit competing bids for some of the shares in National Power and PowerGen as part of a drive to show it is trying to extract the best possible price for the two electricity generators due to be floated next month.

Such part-tenders enable institutions to increase the number of shares they have obtained in the flotation by submitting bids above the fixed price for the offer at which *most of the shares are sold.*

The mechanism is more risky than selling all the shares at a set price and its adoption would mark an *attempt by the* government to pre-empt accusations of selling the two companies too cheaply.

To the same end, advisers this week urged Mr John Wakeham, the energy secretary, to retain a minority shareholding in the companies for the state after the flotation in the hope it can be sold on better terms in a few years' time.

Mr Wakeham is expected to make known his decision on this issue within the next few days.

A sale of 60 per cent of the shares, the most likely proportion, would raise about £1.8bn.

If the flotation were limited *to this size*, shares sold in the tender would be underwritten to insure against the government failing to dispose of a majority holding.

However, a tender would still add to the risk of the flotation, particularly if market conditions were volatile, by leaving the value of part of the offer uncertain.

The tender would take place between the pricing of the shares, scheduled for the end of February, and the start of dealings, set for the beginning of March.

It would be likely to involve not less than 20 per cent of the shares sold, *although details* remain sketchy.

The last time a partial tender was used in a government privatisation issue was 1987. It then *proved successful in the* July flotation of BAA, the airports authority, providing £56m of the £1.3bn proceeds of the sale. The stock market crash in October that year interrupted plans for its use in the share sale for British Petroleum.

Crash casts fresh shadow over British Rail

Charles Leadbeater looks at the implications of yesterday's rail accident in London

TWO factors are likely to explain the accident which yesterday morning turned London's Cannon Street station into a scene of tragedy.

The first is the immediate cause, widely thought to be a brake failure, although other factors such as driver error cannot be ruled out. The detailed British Rail technical inquiry which began soon after the accident will ascertain whether the ageing braking system was to blame. However the full explanation is likely to involve a second general factor – the culture, management and finances of British Rail.

That combination was at the heart of the explanation Sir Anthony Hidden's report gave for the Clapham Rail disaster *in December 1988* which claimed the lives of 35 people.

The report, published in November 1989, identified the cause of the accident as faulty wiring on a signal. But the explanation for why the wiring had not been done correctly lay with the inadequate way the task was managed. The report uncovered a chain of incompetence stretching from senior managers, through first line supervisors to the technicians who worked on the wiring. It was that chain which created the potential for the crash.

British Rail *committed itself* to implementing all the recommendations of the Hidden inquiry.

It was meant to be a new start for the corporation which in the last few years has been has been bedevilled by industrial disputes, staff shortages and growing complaints about poor standards of service, as well as serious accidents at Clapham, Purley and Glasgow.

In 1989-90 no British Rail passenger was killed in an *accident. The corporation* appointed a safety director and adopted procedures to make sure safety was taken into account in investment plans.

However the Cannon Street accident once again casts a dark shadow over British Rail, the progress it has made in implementing the Hidden inquiry recommendations and the priority it gives to safety.

One possibility is that the accident was due to driver error. However this may not be as simple as it sounds. The railway unions argue that staff shortages and low pay mean *that dangerous levels of over*time are still being worked, especially in the London commuter area.

Recruitment and training may *also* have been a *factor* in the crash. A second driver was in the cab of the train. BR would not say whether this was because the driver was under instruction or supervision.

The leading suspect is not driver error but a failure of the braking system.

Such a failure will raise questions about the effectiveness of BR's maintenance work.

The braking system may have been prone to failure because the rolling stock was particularly old. It was in service before many of the passengers *it* carried yesterday had been born.

The average age of rolling stock on Network South-East is 16 years. Inter City rolling stock is all less than 15 years old and within the next few years provincial services will all run with modern trains, with sliding doors. Commuter services in the south east have older trains because they are used less intensively and thus *it is more* difficult to earn an adequate return from them.

Newer trains are by definition safer by virtue of their design.

One reason for the extent of the injuries may have been that people had already got up and opened the doors ready to run down the platform to work. On the newer, safer commuter trains there is more *room to stand* and automatic sliding doors would have prevented some of yesterday's *injuries.*

An inquiry into the crash will also want to examine whether BR is ensuring that it meets its load factors. The number of injuries may have been explained by the crowded conditions *of the train.*

The Hidden report warned that the problems which led to the Clapham disaster were endemic to the railway culture *and organisation*. The Cannon Street crash seems to be confirmation that those deep seated deficiencies have not yet been made good.

Tragedy for commuters in central London: The 7.58am into Cannon Street Station is pictured crushed into the buffers with one of its carriages pushed up over the mangled *wreckage of the compartment* in front. Today the government is facing opposition Labour party demands to legislate against overcrowding on aging commuter trains after the crash which killed one passenger and injured 248. The train from suburban Kent, which had been carrying some 800 passengers when it collided with buffers at London's sixth busiest station, dated from the 1950s and was due for renewal at the end of the year. Sir Bob Reid, BR chairman, said it appeared no outside factors were involved and "BR *therefore accepts full liability for the accident*". He said claims for compensation would be considered "sympathetically and as quickly as possible." The first four coaches on the train were barely damaged while the *sixth ploughed* underneath the fifth carriage. *Picture by Tony Andrews*

BUSINESS AND THE ENVIRONMENT

Ronald van de Krol reports on how the Netherlands' growing manure mountain is threatening the survival of the country's livestock sector

Farmers in a muck sweat

Dutch livestock farmers are quickly falling victim to their own success. Having perfected animal husbandry techniques to create thriving businesses, they are now being forced to confront the problem of how to dispose of the industry's biggest by-product – tonnes upon tonnes of manure.

Unlike some of Europe's more widely-known agricultural surpluses such as grains, milk, wine and olive oil, the Dutch manure "mountain" is cause for serious environmental concern. Thanks to intensive methods of livestock-keeping, farmers have built up a 112m-strong herd of hens, pigs, ducks and cows, far outweighing the human population of 15m and straining the ability of the countryside to absorb the resulting manure.

The animals generate 80m tonnes of manure a year. Of this, 14m is considered to be surplus because it cannot be spread safely on fields in the same province as it was produced without exceeding the government's strict manure "norms".

Until now, the answer has been to transport the unwanted manure to other parts of the country. With the surplus continuing to expand, environmental engineers in the Netherlands are now urgently trying to find a more permanent solution.

Stench, the most obvious problem caused by excess manure, is the least of livestock farmers' worries. The real challenge is to find ways of reducing the water and air pollution caused by ammonia and phosphate in the animals' excrement.

The scale of the environmental damage threatens the very survival of the Dutch livestock sector, an industry that generates annual sales of some Fl 10bn (£3bn). Increasingly, environmental groups and some politicians are calling for a reduction in livestock numbers in order to spare parts of the country – particularly the south – from further environmental harm.

To ward off involuntary cuts in Dutch animal herds, the country's powerful agricultural community has joined with industry to seek ways of disposing of the surplus manure. Dutch companies like DSM and Gist-brocades and foreign groups such as Kemira and Ferruzzi are participating in projects, both directly and indirectly, designed to level the manure mountain.

Most projects are still at the research and pilot-production stage but hopes are high that commercial success will soon follow. It is by no means clear, however, that industrial solutions will be ready in time to avoid government-imposed limits on livestock numbers in the 1990s. So far, the potential solutions include:

- Developing farm equipment that injects manure into the soil rather than spreading it on top of the fields, preventing ammonia from escaping into the air.
- Adapting animal feeds so that the livestock absorbs more minerals, leaving fewer harmful substances behind in the manure.
- Treating the manure to rid it of damaging ammonia.
- Processing the manure itself by turning it into fertiliser pellets for export.

The most obvious solution – using the manure on the land as a fertiliser – is no longer enough in itself. The amount of manure produced in the Netherlands and the amount of land available in the small and crowded country are badly out of balance: much of the soil is saturated with minerals and cannot be made to absorb any more. The result is that phosphate seeps into ground water and ammonia escapes into the air before returning to earth in the form of acid rain.

The abundance of manure in the Netherlands reflects its farmers' success in harnessing new livestock techniques. "Battery" hens and chicks now number 93m, a four-fold increase from 1950. In the same 40-year period, the pig herd has jumped by 675 per cent to 14m and the cattle herd by a more modest 80 per cent to 4.9m.

Eventually, the Dutch hope that much of the surplus manure can be converted into pellets for export. A pilot plant with annual capacity of 100,000 tonnes of manure is already in operation in the southern town of Helmond, in the heart of the pig-raising region. Two additional plants with annual capacity of 600,000 tonnes each will also be built soon as part of ambitious plans to process 6m tonnes of manure into pellets by 1994.

The Fl 24m pilot plant for pig manure is operated by Promest BV, a joint initiative of several farmers' unions, agricultural firms, slaughterhouses and Rabobank, the big agricultural lender. Bert Hilberts, Promest's general manager, says the biggest hurdle in the way of large-scale manure-processing is getting permission from local councils to begin operations.

Despite Hilberts's arguments that Promest's closed-system methods do not emit odours, towns and villages are wary of his manure factories. "The frustrating thing is that we are perfectly capable of building the needed factories, finding the financing and tapping export markets. The only thing we can't do is 'make' the sites and permits that are needed," Hilberts says.

Promest's pig manure is collected from participating farmers in a 25km area around the factory. The manure is then stored for 15 days in a "digester" where it is heated and broken down by bacteria before entering a centrifuge which separates the solids from the great quantities of liquid found in unprocessed manure. This process creates a manure "cake", which is then turned into pellets, and water, which is then purified into clean water of drinking quality.

Because unprocessed manure consists of about 90 per cent liquid, the plant's yearly manure capacity of 100,000 tonnes produces just 11,000 tonnes of dry pellets. So far, Promest has found customers for its pellets among wine growers in Portugal and in Spain, where it works together with the Spanish subsidiary of Italy's Ferruzzi group.

Hilberts says market studies show that the pellets could attract buyers as far away as Japan and California, even after allowing for the transport costs that would come on top of the pellets' price of Fl 200 per tonne.

The two-year-old factory, which is partly state-subsidised, is still operating at a loss and does not ever expect to do more than break even – the goal is not profit but ensuring the survival of the Dutch livestock sector. Part of the cost of running future plants will be met with a levy on livestock farmers.

Sceptics doubt whether the government's target of 6m tonnes of processing capacity will be reached by the end of 1994. Hilberts says that this amount of capacity may not be needed if other types of technology prove successful in changing the composition of the manure.

One of the most promising techniques has been developed by biotechnology group Gist-brocades and the Dutch animal feeds board. In early 1991, after four years of research, the company plans to launch commercial sales of a feed enzyme with the trade name Natuphos which reduces the amount of phosphorus found in pig and poultry manure.

The enzyme enables single-stomached animals like pigs and chickens to "unlock" the phosphorus compounds that are contained in feedstuffs, avoiding the normal practice of overloading animal feeds with phosphorus to ensure that the animals absorb a sufficient quantity. The more phosphorus that is digested, the less that remains as a waste product in manure.

The enzyme additive will be sold to mixed feed producers rather than to individual farmers, with BASF, the German chemicals group, handling foreign sales. Cattle, which are multi-stomached, can easily unlock the phosphorus in feed on their own, but their manure is particularly high in ammonia content.

DSM and the Dutch subsidiary of Kemira of Finland are both running experiments on treating cattle manure with nitrous acid to neutralise the ammonia without reducing the manure's value as a fertiliser. Because of the scale of the Dutch manure problem, the country already leads the world in research into treating and processing this natural fertiliser.

The Netherlands' first priority now is to export its manure as fertiliser. But in the long term, Dutch companies are also hoping to export their know-how to Taiwan, the Po river area of Italy and the Brittany region of France, all of which share the Netherlands' predicament of too many animals on too little land.


Queen Beatrix of the Netherlands gives the seal of approval as she sips water recycled from pig manure

Remaining firm about peat

Fisons is not flinching under pressure, says **John Hunt**

Since the beginning of last year Fisons, the fast growing pharmaceutical, scientific instruments and horticulture group, has been the target of a powerful coalition of environmental pressure groups campaigning against the use of peat.

Widely used as a compost and mulch by amateur gardeners and commercial horticulturists, peat seems a prosaic material to have stirred so much controversy. About 90 per cent of Fisons' peat is used as compost and it is the biggest producer of peat as a growing medium in the UK.

Fisons was thus a natural target for the Peatlands Campaign, an environmental coalition including Friends of the Earth, the World Wide Fund for Nature and the Royal Society for Nature Conservation.

The environmentalists complain that the stripping of peat is leading to the destruction of habitats which are often sites of special scientific interest and that rare plant, bird and insect life is being destroyed. They maintain that there are viable alternatives to peat.

Fisons and the Peat Producers Association, whose members account for 98 per cent of British peat production, say there is as yet no satisfactory alternative to peat for its main use as compost. This is also the view of the Nature Conservancy Council, which advises the UK government.

But behind the controversy lies a larger issue. Some of the green campaigners are not concerned solely with conserving peat bogs. They also regard it as a test case to see whether institutional shareholders can be persuaded to pressurise large companies into changing their environmental policies.

Shareholders in Fisons were urged to press the company to cease peat-cutting operations, invest more in developing alternatives and put more resources into rehabilitating bogs where peat has been extracted. This was inspired by so-called Valdez principles in the US – named after the Exxon Valdez oil pollution disaster off Alaska – under which some companies have agreed to make themselves more environmentally accountable.

But after 10 months the success of the operation in the UK has been limited. It has had little impact on Fisons and has not achieved a breakthrough in establishing the principle of shareholder pressure. Since the campaign was mounted last March Fisons' sales of peat have increased by 13 per cent – despite a day of action by local groups of Friends of the Earth urging gardeners to buy alternatives to peat.

Mark Campanale, who is a campaigner for the Valdez principles, concedes that the campaign has has been a "disaster" in its failure to reduce peat sales. "But it was a success insofar as we were able to interest institutional investors in the issue."

Another Valdez campaigner is Stuart Bell of Pensions Investment Research Consultants Ltd (PIRC), advisers on "socially responsible investments" whose clients include local authorities and trade unions. He circulated 50 major investors in Fisons urging them to take up the issue with the company.

But Fisons says that it heard from only a few of its investors requesting more information about the controversy.

As a result of the lobbying South Yorkshire Pensions Authority, which owns 800,000 shares in Fisons, has arranged to meet directors of the company to discuss the issue. The authority handles the pension funds for local authorities of Doncaster, Sheffield, Barnsley and Rotherham.

Among the institutional shareholders Clerical Medical, the insurance company, says it will be writing to Fisons for clarification of the matter although it stresses that it is a commercial decision for the company.

Fisons has taken vigorous steps to defend its record against the peat campaigners and has hired communications consultants Dewe Rogerson to advise on the presentation of its case. Fisons has produced a video explaining the issue, briefed peers and MPs, circulated local authorities and held meetings with officials at the Department of the Environment.

The Peat Producers Association, which has distributed leaflets to garden centres, is now drawing up a revised code of practice on peat extraction. This will commit the industry to developing alternatives and to continuing liaison with conservation bodies to rehabilitate areas of peat once they are taken out of production.

Fisons points out that it has been conducting research into alternatives for 25 years, well before the green organisations took up the issue. The company is not looking for additional sites. Its present ones will last into the middle of the next century.

"If we don't produce peat there would be no point in maintaining the horticulture division. We are not trying to paint ourselves lilly white. But we are not the ogres that the conservationists would have people believe," says the company.

Five per cent of the total group profit is generated by the horticulture division. The half yearly report to June 1989 showed group profit before tax up 35 per cent and earnings per share up 20 per cent. The horticulture division showed a rise in profits on the half year – £3.6m compared with £2.6 the first half of 1989.

هكذا من الأصل

MANAGEMENT

Corporate renewal

Juggling lots of balls in the air . . .

. . . while standing on a moving platform. **Christopher Lorenz** reports on the latest management challenge in a climate where 'the only constant thing today is change'

Even before recession provided an added impetus on both sides of the Atlantic, organisational change and "renewal" was already set to become the management issue of the early 1990s.

Under relentless pressure from competitors and costs, and egged on by management gurus such as Tom Peters who preach that "the only constant thing today is change", virtually every self-respecting large European and American company these days is running at least one organisation-wide "change programme".

Never slow to spot a money-spinner, consultancies are falling over each other to offer their services in what they expect will be a boom business for several years to come.

Some of the change programmes carry the label of "total quality management". Others are christened with zappy titles such as "the way we do things around here". Still others focus on the concept of "organisational capability", while the decidedly uninspiring term "management in the 1990s" is also cropping up all over the place.

Many of these ambitious, but varied, efforts will either fail entirely, or have a short-term impact and then die. For the management of change is a much more challenging and multi-faceted process than most companies realise.

The usual reason given for the failure of change programmes is either "inadequate leadership" or "you can't mobilise an organisation except when it's facing a crisis. If the crisis disappears, so does people's willingness to change".

Such explanations are misleadingly – even dangerously – one-dimensional, according to a far-reaching study of "managing change for competitive success", which will be published next spring.*

The study examined the successful and less effective management of strategic and organisational change in eight well-known British companies over more than 20 years to 1989. It was carried out by Professors Andrew Pettigrew and Richard Whipp at Warwick Business School's Centre for Corporate Strategy and Change. Pettigrew is best known for his acclaimed history of ICI, the UK chemicals multinational.

Covering four sectors, with a pair of companies from each, the subjects included: Kleinwort Benson and Hill Samuel (merchant banking); Jaguar and Peugeot-Talbot (car manufacturing); Longman and Associated Book Publishers (book publishing); Prudential Corporation and another insurance company (which has so far wished to remain anonymous).

"You're talking about very complex interconnected processes," Pettigrew told a recent workshop held at the Cranfield Centre for Strategic Management and Organisational Change. "It's like juggling lots of balls in the air while the platform on which the juggler stands is moving all the time. Drop one of the balls, or forget to pick it up in the first place, and the effect will be critical."

Pettigrew was too polite to say so, but many of the change processes launched over the past year by the likes of British Telecom and British Petroleum – and by countless lesser fry – will risk running out of steam unless they meet his very demanding criteria.

This is particularly the case where, as with BT, a complete combination of strategic, organisational and cultural change is required. But it is also true for companies such as BP, where the change is less one of strategy than of culture and the way the organisation operates. Just changing that is a tall enough order in itself.

The difficulty of sustaining even a remarkably successful change programme has been demonstrated graphically in the last few years by Scandinavian Airlines (SAS). Under the glamorous leadership of Jan Carlzon, it catapulted itself in the early 1980s from suffering a debilitating production mentality – and expensive financial losses – to a position of great customer popularity.

But British Airways, in particular, has since overtaken it with what seems to have become a more effectively sustained change programme – with consequent benefit to managerial and employee behaviour, market success, and profitability.

In the US, one of the few companies which has become capable of sustaining continuous change is General Electric, under Jack Welch's chairmanship since 1981.

The internal revolution at Ford, so heralded by consultants and academics – notably Richard Pascale in his perceptive new book, Managing on the Edge** – has been impressive, but has yet to prove its long-term staying power. Only in Japan, within companies such as Honda, Sony, Toshiba, NEC, Komatsu, and countless others, does there seem to be a widespread ability to prolong change beyond a few years.

In Britain, even Sir John Harvey-Jones, who led a widely admired change process as chairman of ICI between 1982 and 1987, admits that it is all too easy for an organisation to revert to its old values once a change-minded leader moves on. This is especially likely if the leader has by-passed middle management in order to motivate less senior employees, as Carlzon did at SAS.

At the Cranfield workshop Andrew Pettigrew quoted Sir John as saying regression had happened very rapidly at ICI's petrochemicals division after he left it in 1973 on his way up the corporate ladder.

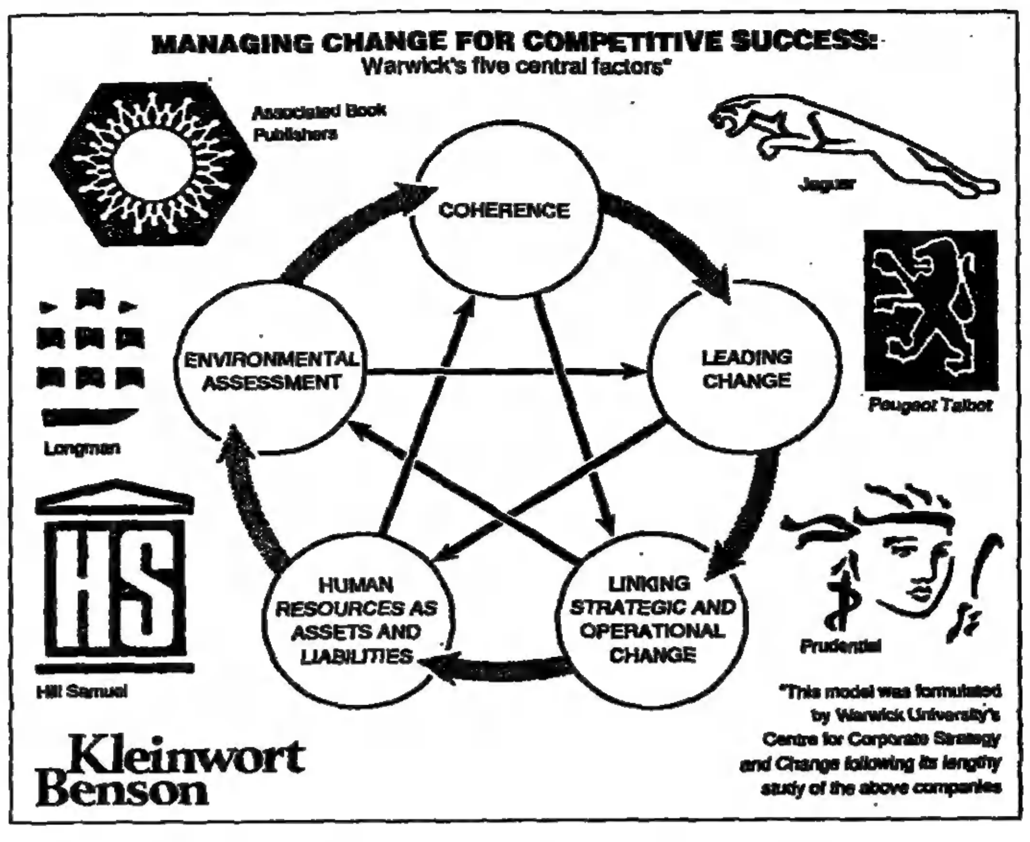
The main message of the Warwick study, says Pettigrew, is that "there is no particular lever which can be pulled in order to manage change successfully". Instead, a whole panoply of inter-related levers must be pulled together, or at intervals over long periods of time, in a coherent but constantly changing fashion.

"Successful change mangement is not just a complex process, but it is also relatively unstructured," comments Pettigrew. "One needs to hold the organisation together, while reshaping it at the same time."

The juggler's task is daunting indeed.

** To be published by Basil Blackwell, Oxford, England.*

*** Published by Viking Penguin, £16.99. Richard Pascale will be the keynote speaker at a Management of Change conference in London on February 21: details from The Event Organisation. Tel: 071-228-8034. Fax 071-924-1790.*



*This model was formulated by Warwick University's Centre for Corporate Strategy and Change following its lengthy study of the above companies

Conditioning and coherence

Coherence – of direction, actions, and timing – is only one of the five factors cited in the Warwick study as vital to the successful management of change. But it is also very much the study's leitmotif.

Pulling all five levers in coherent combination may seem quite enough of a challenge, but Pettigrew and his colleagues also warn that no amount of organisational innovation can be effective unless it is underpinned by various sorts of "conditioning".

"In many cases, lack of conditioning is a problem," Pettigrew told the Cranfield workshop. Lesser performers tended to put in place new systems and mechanisms, but did not create the conditions required for them to work effectively – such as justifying the need for change, and ensuring that appropriate human and other resources were made available.

In addition to coherence, his other four success factors are:

1. Environmental assessment. The bases of an organisation's competitiveness change over time (hence the "moving platform" in Pettigrew's juggling analogy). So, at every level, the organisation needs constantly to assess its competitive and customer environment – and also, where relevant, the changing regulatory climate. "Organisations need to be open-learning systems," Pettigrew argued.

This was one of Jaguar's failings under Sir John Egan in the late 1980s, Pettigrew claimed. The company misread its environment in two ways, he suggested; it failed to grasp that its German rivals were improving their production and quality standards even faster than it was; and it misread its relations with politicians over the government's willingness to hold on to the protective "golden share" in Jaguar.

2. Leading change. The ability to do this is needed not only among the team at the top of an organisation but at all levels, right down to branch and factory.

"In our experience, the airport bookstall view of charismatic individual leadership is grossly simplistic," said Pettigrew. "There may be a John Egan – a person driving the organisation – but a whole set of complementary people, and assets, plays a key role. It's not a question of a single hero appearing waving a flag, and everyone whirling behind him into the new world."

Nor, of course, is there a common leadership style. Contrasting the high-profile, personality-based approach of Egan at Jaguar and the quiet, team-focused manner of Geoffrey Whalen, his counterpart at Peugeot-Talbot, Pettigrew advocated a leadership style "which fits the context, circumstances and requirements of the particular situation and time".

One of the least understood aspects of leadership, he said, was the ability to "raise the climate for change and increase the energy level of an organisation". You only needed to walk through the door of some companies to realise they had an energy level which was "completely dead".

3. Linking strategic and operational change. Several of the lesser performers in the Warwick study "were pulling strategic levers at the top that didn't connect with anything", reports Pettigrew. "There is a very clear gap between strategic and operational change."

To bridge the gap, organisations must be "conditioned" by the creation of the necessary new visions, values and business direction. Then these needed to be reinforced, and translated into action, through mechanisms such as revamped communication flows, and the personnel reward system.

The latter was far more difficult to deal with than most companies realised, the Cranfield workshop was told by Professor Paul Evans of Insead, the Paris-based business school.

"It's easy to take glamorous actions, but much harder to change the deep nature of the reward system, of job evaluation, and of career structures," said Evans.

4. Treating people as assets, and as investments rather than costs. Many companies pay lip service to this goal. Few really carry it out. To do so, organisations must link their "human resources" strategies to their business direction, as the Warwick study points out.

This may seem a platitudinous objective, but Pettigrew, Evans and other experts say it is one of the biggest barriers to successful change.

A spate of conferences last autumn in Britain and other European countries, with speakers from the likes of IBM, Digital Equipment, British Airways and ICL, has also shown how difficult this objective is to accomplish.

Pettigrew's point is no less forceful for its obviousness: that, in order to compete successfully at any point in time, companies need to create – from top to bottom – a complete set of appropriate skills, knowledge, standards and attitudes. As time changes, so will many of the necessary attributes. The Warwick study shows considerable variance between different companies' ability to create these assets and change them as necessary.

Only with a corporate talent to do these things can an organisation sustain change over long periods.

Just as important is to learn how to create change without crisis.

A competitive crisis (as for SAS), or one caused by privatisation (as for British Airways and BT), is clearly the most powerful trigger for the first phase of change.

Thereafter, however, change tends to be sustainable only if large parts of the organisation are highly responsive to the appearance of new information from the outside, and the emergence of new capabilities from within.

The artificial creation of further dramas and mini-crises – a well-tried weapon of any effective leader – can often play a useful role, although this can all too easily degenerate into crying wolf.

Far more effective – and far more challenging – is to create an organisation in which constant learning and renewal are part of the culture.

Honda, 3M and a few other icons of the management world have certainly achieved this. Many more companies must now master the art of sustaining Pettigrew's juggling act ad infinitum.

FT LAW REPORTS

Digest of Michaelmas term cases

Pepper v Hart
(FT, November 16)

IN A case where masters at a private school were not charged full fees for the cost of educating their sons, the issue was whether the "cost" of the benefit enjoyed by staff comprised, as the staff claimed and the special commissioner held, additional direct costs; or whether, as the Revenue contended and Mr Justice Vinelott held, it included a rateable proportion of the general running expenses. Dismissing the masters' appeal against Vinelott J's decision, the Court of Appeal held that the initial difficulty of the case concerned an "in-house benefit" of the use of surplus capacity. Each place cost the school as much as every other place. Thus the expense incurred by the school in providing that benefit for any one member of the staff, such as the bursar, was a proper proportion of the general running expenses of the school, since those expenses related partly to the benefit provided for the bursar and "partly to other matters" under section 63 of the Finance Act 1976, by subsection (2) of which the "cost" of a benefit was "the amount of any expense incurred in . . . its provision, and . . . includes a proper proportion of any expense relating partly to the benefit and partly to other matters".

Midland Bank plc v Brown Shipley & Co Ltd; Citibank Na v Brown Shipley & Co Ltd
(FT, November 20)

BROWN Shipley, the receiving bank, having been approached by persons purporting to act on behalf of a firm, telephoned the issuing bank to ascertain that a dollar draft was in order. It received an unequivocal reply that the draft was genuine and issued in the ordinary course of business. It then handed over the sterling to the messenger. In fact the draft in favour of Brown Shipley was (a) not signed in accordance with the mandate; (b) contained an unauthorised signature and (c) the other signatures were forged but not checked by the issuing bank. The same transactions were again repeated by the fraudsters. Giving judgment for Brown Shipley in the plaintiffs' action for conversion, Mr Justice Waller stated that neither Midland or Citibank were under any mistake or misapprehension as to whom the draft was to be delivered. The bailee who physically carried the draft was a messenger whose precise identity was unimportant. Once there was authority, title was transmitted directly from the banks to Brown Shipley.

Derby v Weldon
(FT, November 21)

MR Justice Mummery refused the plaintiffs' application for an order for disclosure of the expert accountants' report of the defendants under the Rules of Supreme Court, Order 38, rules 36 and 37. On the plaintiffs' appeal to the Court of Appeal against the judge's refusal to direct the defendants to serve the report on the subject of the alternative initial conspiracy, it was held that there was no sanction for achieving disclosure of experts' reports in advance of the trial, though it was open to a party to waive privilege by voluntary disclosure. The provisions in Part 4, in particular rule 36 and other rules, did not have the direct effect of overriding the privilege. The party could choose whether or not to call his expert but the expert's report, until disclosed, was privileged. When it was disclosed it lost the privilege, but that did not waive privilege automatically over the thoughts of the expert on a topic with which he had expressly disclaimed dealing.

Rosseel Nv v Oriental Shipping (UK) Ltd
(FT, November 23)

ARBITRATION proceedings were brought in New York between the parties in a dispute over a contract which was subject to New York law and contained a New York City arbitration clause. The arbitrators found that the plaintiffs were entitled to damages for breach of contract for $4.26m. The first issue related to the impact on the enforceability of the award of two joint stipulations, which pre-dated the award, in US legal proceedings and, by consent, made orders of court. In terms they stipulated that "the parties agree that any proceedings to confirm or vacate the arbitration award" would be brought in the Southern District New York court. It was common ground that the award was a "Convention award" within the 1975 Act, which enacted the New York Arbitration Convention 1958 in the UK. Granting leave to enforce the award, Mr Justice Steyn stated that there was a difference in US law between proceedings for confirmation of an award, and proceedings for enforcement of an award. The joint stipulations related to confirmation proceedings but did not touch the subject of enforcement.

The Baleares
(FT, November 27)

IN THE Nema [1982] AC 724, the House of Lords laid down guidelines for leave to appeal from decisions concerning arbitral awards under section 1 of the Arbitration Act 1979. By a majority, in the instant case, the Court of Appeal held that the Nema guidelines were not intended to apply and did not apply to applications for leave to appeal to the Court of Appeal. There was no reason why the test for giving leave to appeal from a judge should not be different from that for giving leave to appeal from arbitrators. If regard was paid to "speedy finality" there was no justification for making appeals more difficult to maintain than other appeals where leave was necessary. This case, involving two points of law of general importance and a sum of nearly $1.5m, was suitable for the granting of leave.

Tacoma City
(FT, November 28)

THE claims arose out of the collapse in 1985 of the Reardon Smith Line and its subsidiary companies. The plaintiffs were all officers who served aboard Tacoma City and claimed severance pay totalling £119,662. The bank as mortgagee issued a writ in rem against Tacoma City on June 4 1985, and she was arrested. If the plaintiffs were entitled to maritime liens in respect of severance payment, each would recover in full in priority to the bank. If the plaintiffs did not have maritime liens, the bank would take the whole of the proceeds and they would recover nothing. In dismissing their appeal against Mr Justice Sheen's dismissal of their claims, the Court of Appeal stated that severance payments under the National Maritime Board agreement were outside the concept of "wages" (see The Arosa Star [1959] Lloyd's Rep 396) thus providing no basis for maritime liens.

Shepherd v Law Land plc
(FT, November 30)

LAW LAND was incorporated and resident in the UK. Throughout its accounting period ending March 31 1983, it owned all the shares in Mercure which was resident in the UK for tax purposes. Accordingly, Mercure was a "75 per cent subsidiary" of Law Land within the meaning of the Taxes Act 1970. In the year to March 31 1983 Mercure made trading loss which it surrendered to Law Land and for which Law Land claimed the benefit by way of group relief for the year to March 31 1983.

On January 6 1983 Law Land had granted to an unconnected Belgian company and its subsidiaries (the AG group) a series of options under which the AG group was given the right to acquire all the shares of Mercure. Those options were exercisable until February 14 1983. The options lapsed and the shares in Mercure remained the unfettered property of Law Land during the rest of the year ending March 31 1983. It was common ground that the options in favour of the AG group were arrangements of the kind referred to in section 29(1)(b)(ii) of the Finance Act 1973. The tax inspector disallowed the loss on the ground that it was not within section 29 while a special commissioner upheld the claim. In dismissing the Revenue's appeal, Mr Justice Ferris accepted Law Land's main positive argument that the date words, namely "on or after March 6 1973" of section 29(1) being explained as mere words of commencement, the consequence provided by the concluding words of section 29 could apply only if the pre-conditions in paragraphs (a) and (b) were satisfied.

Atlas Maritime Co SA v Avalon Maritime Ltd
(FT, December 4)

MARC Rich advanced funds to Avalon, a tax-exempt company incorporated in Gibraltar, purchased for that purpose by a Liberian subsidiary of Marc Rich to buy the Coral Rose for $7.92m. Avalon's formation, the purchase, repair and operation of Coral Rose, were all funded by Marc Rich's loan to Avalon. Atlas claimed that Avalon had agreed to sell it Coral Rose for $15.5m, and had wrongfully repudiated the contract. The plaintiff obtained a Mareva injunction on the ship's proceeds. Refusing to discharge the injunction, the Court of Appeal stated that a holding company was free to arrange the affairs of its group in such a way that the group's business in a particular country or for a particular project was carried on by a subsidiary. The company and the subsidiary could be regarded as two separate entities. But in considering the exercise of a discretion and the scope of injunctive relief, it was then legitimate to look at all the circumstances, to examine the nature of the debt and the identity of the creditor. The "eye of equity", in such a case, could look behind the corporate veil.

Aviva Golden

Capriccio

COVENT GARDEN

The first new Royal Opera production of the year (shared with the San Francisco Opera, and sponsored by Goldman Sachs) is of Strauss's final opera, which the company are presenting for the first time – the 1953 and 1972 performances were given during the London visits of the Bavarian State Opera. It is gruesomely over-dressed and alarmingly under-cooked, an event at once [illegible] pretentious and so pallid that for most of it I kept myself from slipping into a coma by pondering some rather grumpy questions.

Such as: who thought this epitome of the festival-opera genre belonged in the company's repertory, and in a house of this size, at all? (In Stephan Kohler's programme notes Strauss's conviction that *Capriccio* is "not a piece for the general public", and that intimate acoustics "outweigh all other considerations" in its performance, is unkindly quoted in full.) Who thought an internationally celebrated dress designer of (on this evidence) minimal feeling for theatre was the right person to clothe the show?

Who [illegible] an opera of reasonably compact [illegible] and continuous format half an hour [illegible] and then break it midway with an interval? And, most pressing of all, who believed that an idea for updating the [illegible] first tried – very successfully – at Glyndebourne nearly two decades ago was worth re-hashing in 1991? Whoever the culprits are, their heads should roll.

This [illegible] John Cox's [illegible] go at *Capriccio* in Britain. The first, at Glyndebourne in 1973, [illegible] Martin Battersby's elegant [illegible] and designs; more important, it was delivered with such civilised urbanity by casts headed first by Elisabeth Söderström and later by Felicity Lott that the production conceit was translated into a rare exercise in operatic high style. In [illegible] Mr Cox tried out a second, "Scottish country house", version for Scottish Opera, the manifold failings of which ought to have sent him (and Covent Garden) a warning of Erda-like gravity.

But no, here we are in Mauro Pagano's vast, rococo-frescoed, chilly-looking *palazzo* – the sort of chamber a film-maker like [illegible] or [illegible] might choose for the death-scene of some ancient aristocrat – watching a troupe of clotheshorses posture their way through a set of arch and, on the whole, unrelievedly weary motions. [illegible] Versace's snazzy carnival-coloured [illegible] are no [illegible] just the type a Covent Garden [illegible] would [illegible] like to wear, but their theatrical character, and their [illegible] to a house-full of artists discussing Gluck and Goldoni, not to mention the competing theatrical merits of music and words, are simply non-existent. This lot would be discussing *Twin Peaks* and *Miss Saigon*.

What on earth, one swiftly comes to wonder, is it all *for*? This is an opera I have in the past worried over, and recently learned shamefacedly to admire for its delicate quiet lyricism and [illegible] if [illegible] rather lengthy, musings on the very nature (and mirror-reflectiveness) of Art. It's hard to believe this largely lifeless [illegible] mimsy stage groupings and grossly farcical over-acting of the inserted dance and opera divertissements, will win *Capriccio* many new friends; indeed, it's a measure of the work's unsuitability to the house that the opening offstage string sextet has to be brought onstage and later shuffled off to make up an extremely awkward and – to the newcomer, I have no doubt – extremely un-arresting first scene.

The performance is not [illegible] lifeless. Thomas Allen as the Count and Anne Howells (the unhappy victim of Mr Versace's most ridiculous design notions) as the actress Clairon threaten to wake us up with their comic verve and prodigious gifts of stage projection whenever they hold the spotlight. David Rendall's Flamand, though a bit [illegible] of timbre, unleashes several [illegible] bursts of [illegible] eloquence; between him and the surly, thickly and gracelessly sung Olivier of William Shimell there's really no contest.

The [illegible] octet, John Dobson's sleepy prompter, and Roderick [illegible] major-domo are all deftly managed; and in La Roche's long defence of the director's art Franz Ferdinand Nentwig (single native German in the [illegible]) compensates for wobbly [illegible] with verbal argument of a trenchancy that briefly ruffles [illegible] drowsy chic.

But with a conductor, Jeffrey Tate, who ambles torpidly through the score, and a leading lady, Kiri Te Kanawa, who hovers like an attractive and well-behaved wraith on the edge of the proceedings, every hope of an emergency blood transfusion of musical vitality is dashed. It seems long years since Dame Kiri strode the stage with any real theatrical animation; she has learnt the words, and makes some lovely sounds at the top of the stave (as well as some worryingly [illegible] ones lower down), while leaving a complete hole at the centre of the production. This particular production [illegible] hardly afford or support it.

Max Loppert

Alastair Muir

Kiri Te Kanawa and Thomas Allen

TELEVISION

New year crime wave

Thank goodness that is over. [illegible] way the British have changed in [illegible] than [illegible] generation from being a people who took two days off at the winter solstice to a people who now take two weeks off, and sit down to watch an average (an *average*, mark you) of five hours television a day, will surely, become the subject of historical research eventually.

To a professional viewer who has in the past found it highly enjoyable to watch all 16 hours of *Heimat* at one sitting, but who finds the Christmas programme fest almost unendurable, this weird habit suggests two thoughts: that most of the British [illegible] loathe their jobs and prefer doing almost anything [illegible] and that they must really [illegible] television, especially the [illegible] which is provided in such huge quantities at Christmas.

So did I not watch *E.T.* on BBC1 on Christmas Day and find tears coming to my eyes? Actually I did (though part of my mind was wondering how on earth Spielberg does it: far from being naturally appealing, boys on BMX bikes tend to be highly obnoxious, so is it just the attraction of the idealism of youth triumphing over the cynicism of adulthood which [illegible] the climax so [illegible]?)

And did I not fall for the punk charms of Nigel Kennedy as he stomped his way through *The Four Seasons* and *Bruch's Violin Concerto* on Channel 4? Very nearly, though a little more attention to Vivaldi and Bruch and a little less of the marketing man's adulatory concentration on Kennedy would have been an improvement.

Having persistently missed *Jean De Florette* and *Manon Des Sources* in the cinema I was delighted to be able to see these [illegible] French [illegible] with the power and economy of Chekhov plays or Greek tragedies on BBC2. The same channel did us a favour by repeating four 30-minute programmes recorded by Joyce Grenfell in 1972 and 73: her observation of English eccentricity and, even more, of English banality was nearly as telling as Alan Bennett's.

So yes, of course, there were enjoyable moments to be had in front of the box during this national hibernation. Given that there were four channels [illegible] homes more) each delivering a minimum of 18 hours a day, it would be astonishing and shameful if there were not something at some stage to please every taste.

What is so irksome is the oily slick of sentimentality and marketing which now coats almost everything from the Cointreau commercials to *The Queen*. At the best of times, well away from the turning of the year, television often suffers from a tone of smarmy bonhommie intended, presumably, to persuade us not to switch off or change channels. Nobody who has ever heard the continuity announcements on Channel 4 (which, ironically, was launched with a revolutionary "dip in, dip out" policy towards scheduling) will be in any doubt about the tone I mean.

As 1990 turned into 1991 the [illegible] was stronger than ever: watching Christmas television felt like sitting in a kindergarten for the mentally disabled being spoonfed jelly by doting old ladies. One of the reasons is that throughout this ghastly over-stretched holiday the [illegible] and [illegible] affairs departments, which normally help to stop television capitulating entirely to the kitsch and saccharine of showbusiness, now [illegible] to go on holiday with [illegible], leaving only a skeleton staff on duty. You might have thought that the dramatic collapse of the Iron Curtain at Christmas 1989 would teach them a lesson, but not so, it seems: this year it was the situation in the Gulf for which you had to turn to the newspapers if you wanted detailed [illegible].

To be fair [illegible] improvement: new year's eve is no longer the embarrassing Scottish farrago which television made it for so long. In the programmes I saw this year, on three channels, there was not so much as a flash of Andy Stewart's sporran. [illegible] proceedings were dominated by the large figure of Luciano Pavarotti. He [illegible] in [illegible] undemanding [illegible] movie *Yes, Giorgio* on [illegible] he bravely ran the risk of invidious comparison by standing near a hot air balloon; and on BBC2 appeared as one of the guests in *Die Fledermaus* which featured Joan Sutherland's farewell.

On BBC1 Clive James made some awfully funny jokes about the appearance of people such as Rod Stewart and Tina Turner, which seemed especially hilarious coming from such a paragon of [illegible] good looks, and read out a lot of those *Private Eye* picture caption gags, at which he excels. Then at midnight he sang *Auld Lang Syne* ... with Luciano Pavarotti, naturally.

So now here we are, with the first week of the new year schedules behind us, and what are the channel controllers offering us to clean the palate and crank up the brain? Crime series is what. Last night it was *El CID* on ITV with [illegible] detectives Alfred Molina and John Bird on the Costa del Crime, combining goofy humour with dramatic moments because, presumably, that formula proved so successful for *Moonlighting* and *Hill Street Blues* and so many other American series.

On BBC2, at exactly the same time, a new series of *Twin Peaks* began: a crime [illegible] combining dramatic moments with [illegible] humour, and this one *is* American. Half an hour later on BBC1 came the first episode of *Spender*, a crime series combining ... well, undercover detective Spender (Jimmy Nail) tore his trousers just below [illegible] level. Guess what [illegible] Eddie Palmer did at the beginning of ITV's new crime series *Palmer* on Saturday? Right, and the tear was in virtually the same spot.

Tonight on BBC1 you [illegible] *Waterfront Beat*, another batch of the British crime series which nobody could ever accuse of goofy humour. Then on Friday BBC1 shows *Over My Dead Body*, an American series which, with stunning originality, splices together drama about crime with [illegible] humour. As that [illegible] *Devices And Desires* begins on ITV, an adaptation of another P.D.James crime story with Roy Marsden playing the detective.

As well as *Palmer*, which incidentally [illegible] humour with dramatic moments, Saturdays brings the crime series *Bergerac* on BBC1, followed on Sunday by *Poirot* on ITV and *Lovejoy* on BBC1, a series which combines crime and goofy humour, even though the central character is a dodgy antique dealer and not a detective. This is a variation of such astounding novelty in the 1991 catalogue of television crime series, that it suggests something close to genius in its creators.

Meanwhile – at the time of writing – we are moving ever closer to the largest war in which Britain has been involved since Korea, and probably since 1945. And where is the public debate about the rights and wrongs? We know Saddam Hussein is a murderous bully, so perhaps it would be a just war, like the second world war. Perhaps the protection of the ruling families in Kuwait is worth dying for. Perhaps Iraq has no historic claim to any of the invaded territory. Perhaps British soldiers should perish for the right of Americans to fill their cars with cheap petrol.

Perhaps Saddam is being a desperate hypocrite when he asks why the international community does not get on its high horse [illegible] territorial annexations. Perhaps the "civilised" UN [illegible] are quite right to condemn the war mongering barbarity of Saddam and then (like the state declaring [illegible] killing is wrong and murderers will therefore be killed) to declare war. Perhaps *slaughtering one another really is* the most efficient and civilised way of settling international disputes.

Perhaps. But when did you last notice television (except in the middle of the night or on some remote minority programme) using [illegible] dom of expression to air these matters? Are they really less important than this season's 27th detective series combining crime and [illegible] humour? It is time that television developed a sense of responsibility, took its courage in its hands, and started to mount such programmes in peak viewing time, even if broadcasters are afraid that the politicians with their tidy little pro-war consensus would not like it.

Christopher Dunkley

Nicola Cowper and Roy Marsden in 'Devices and Desires'

Accidental Death of an Anarchist

COTTESLOE THEATRE

Accidental Death of an Anarchist is essentially a one joke play, but it contains a number of variations and this production at the Cottesloe will give a great deal of pleasure to a great many people. The play also has the advantage of inviting frequent updating, so that probably no two productions can ever be the same.

The original version was written in 1970 by the Italian Dario Fo and was, one suspects, much more satirical than it is today when it frequently leans over into farce. It had a specific setting: an anarchist bomb attack on a Milan bank after which a suspect fell to his death while being interrogated by the police. The police methods were subsequently exposed by a mixture of the minority Italian press, a cleaner government and, not least, by Fo's drawing attention to the case.

We have moved on since then. This new version by Alan Cumming and Tim Supple is strewn with references to the Guildford Four, the Birmingham Six and Lord Denning. The Italian connection has become almost incidental. Still, the joke is the same: it is that if you start to tell lies, in the end no-one will know what to believe or, conversely, anyone will believe anything. The bigger the lie the more effective it is.

Thus a madman, played by Alan Cumming himself, leads the police a merry dance in a variety of roles as he attempts to [illegible] their internal inquiry into what looks remarkably like the defenestration of the anarchist. The role of the madman, known in a previous translation as the Maniac, must be one of the most enjoyable to play – and indeed to watch – in modern comedy. It involves changing from university professor, to psychologist, to investigating counsel, to ex-bomb squad [illegible] finally (this is a new twist) to [illegible]. And, of course, the madman is not mad at all, or at least no more than the rest of them: he is just cleverer.

Cumming plays the part for all that it is worth. Note, in particular, his spell with a wooden leg, which must involve a considerable feat of gymnastics inside the trousers; he is also rather good when he takes to the church. Why he should play his other roles in a Scottish accent is slightly less clear: there is a slight touch of young punk about him that does not quite fit.

If you play *Death of an Anarchist* like this, however, you are in danger of losing the satire. There is a young female journalist who was partly responsible for exposing the police cover up. In this production, where she is played by Emma Hewitt, it is not much of a part. She is overshadowed by the Madman. The police get a look in: there is a nice sense of hierarchy between them, but even they are frequently under the spell of Cumming. At one stage he unites them all in singing the Internationale.

The translation is an improvement on its predecessor which contained too many un-Italian four letter words. Now we have: "You accused the prisoner of mucking about. With an 'm'?" Tim Supple directs and almost everyone will go home delighted.

Malcolm Rutherford

Alastair Muir

Alan Cumming: leads the police a merry dance

PLG Young Artists

PURCELL ROOM

The Park Lane Group's "Young Artists and 20th-Century Music" series has been running now for 35 years. In that time the face of contemporary music has changed utterly – it is no longer a covert, self-regarding ritual, put on before audiences that can be counted in handfuls, and there are now several generations of performers to whom playing complex scores with the accuracy and vitality they demand is second nature. But the PLG series appears to have adapted itself hardly at all; the week of concerts in the Purcell Room remains the same dutiful democracy of instrumentalists and singers with its unspoken rota of featured composers and publishers'-catalogue approach to programming – where else would one find Hindemith's Harp Sonata, or recitals concocted from obscure pieces for solo bassoon or solo viola?

When it began too, the series provided a valuable platform for new talent. The PLG proudly lists some of its successes, from Gwyneth Jones and John Ogdon to Sarah Leonard and Alexander Baillie, and no doubt they all received a boost from the exposure in such a [illegible]. There remains no [illegible] of accomplished per[illegible], but as the biographies of this year's intake make clear, careers begin earlier now, and almost all of the players have begun to make an impression elsewhere.

So, in the pair of recitals that opened the 1991 series on Monday, the London Smetana Piano Trio had already made its debut at the Wigmore Hall and two of its members had appeared in previous PLG series, the violinist Suzanna Candlin had played concertos with the London Mozart Players, and the harpist Godelieve Schrama is well established on the European festival circuit. Appearing in such formulaic programmes in the Purcell Room is hardly likely to accelerate their progress.

The featured composer this year is Jonathan Harvey, but illness in the London Smetana Piano Trio prevented the performance of his 1971 Piano Trio and indeed of Rihm's *Fremde Szene III*; works for violin and cello (including one by Gubaydulina) were substituted instead. Ms Candlin and the pianist Tanya Isaacson gave a distinctly subfusc account of Stravinsky's Duo Concertante; Ms Schrama made rather a blurred impression in Britten's Harp Suite. The new works, Roger Marsh's *Heaven Haven* and Sidika Ozdil's [illegible] *Burina, Burinata*, both for solo harp, and Poul Ruder's Variations for solo violin (very much a thin sliver from that fascinating creative block), were distinctly depressing. The point of the series has been lost altogether.

Andrew Clements

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 [illegible] Jarvi conducts the Royal Concertgebouw Orchestra in a programme of Stravinsky and Mendelssohn, with Boris Berman as soloist in Bartok's Third Piano Concerto. Repeated tomorrow and Fri (718345)

BERLIN

DANCE

Deutsche Oper 20.00 Ring um den Ring, a joint production between the Deutsche Oper and Béjart Ballet Lausanne, *with four hours of Wagner's music choreographed by Maurice Béjart* (3410 249)

Komische Oper 19.00 Swan Lake. Tomorrow: Harry Kupfer's production of Die Entführung aus dem [illegible]. Fri: La bohème (2292 555)

MUSIC

Philharmonie Kammermusiksaal 20.00 Simon Rattle conducts the Berlin Philharmonic Orchestra in Ravel's Ma mère l'oye and Haydn's Symphony No. 90, with Imogen Cooper soloist in Mozart's Piano Concerto No. 27 K595. Repeated tomorrow, Fri and Sat (2614 383)

Staatsoper unter den Linden 19.00 Le nozze di Figaro (2004 762)

THEATRE

Berliner Ensemble 19.00 Carl Zuckmayer's Der Hauptmann von Kopenick (2827 712)

Deutsches Theater [illegible] Niels-Peter Rudolph's new staging of The [illegible] Masters by Goldoni (2871 225)

Schaubuhne [illegible] The [illegible] Tale [illegible] by Luc Bondy, [illegible] Fri and Sat (890023)

BONN

Oper 20.00 Rigoletto, Graham [illegible] production conducted by Ivan Anguelov, with [illegible] as the Duke of Mantua (773667)

CHICAGO

Lyric Opera [illegible] The only performance [illegible] of Carmen, [illegible] Tatiana Troyanos in the title role and Neil Shicoff as Don José, conducted by Eduardo Mata. [illegible] Zauberflöte, an Everding production conducted by Gustav Kuhn, with [illegible] headed by Karita Mattila, Sumi Jo, Robert Lloyd and Jerry Hadley [illegible]

COLOGNE

Opernhaus 19.30 Offenbach's Ritter Blaubart. Repeated Fri and [illegible] (221 8400)

Schauspielhaus 19.30 Teatro del Carretto from the Tuscan town of Lucca gives an Italian-language [illegible]ged version of Homer's Iliad. Runs till [illegible] 8400)

Schlosserei [illegible] Fraulein Else, play by Arthur Schnitzler (221 8400)

DRESDEN

Semperoper 19.00 Falstaff. [illegible] and Sun: [illegible] und Gretel (4842 731)

Schauspielhaus [illegible] Sommergaste, play by [illegible] (4842 731)

FRANKFURT

Alte Oper 20.00 [illegible] State Symphony [illegible] by Yevgeny [illegible] play [illegible] Fifth Symphony, with Yevgeny Kissin soloist in Rachmaninov's Third Piano Concerto (1340 400)

HAMBURG

Staatsoper [illegible] Hansel und Gretel, [illegible] Fri (351555)

Deutsches Schauspielhaus 19.30 First German production of Ayckbourn's Man of the Moment, also tomorrow (248713)

LEIPZIG

Kellertheater 30 Martinu's opera The Marriage (7168 273)

Gewandhaus *20.00 Israel* [illegible] Orchestra plays all-Mozart programme with Shlomo Mintz (7132 252)

LONDON

MUSIC

Covent Garden 19.00 Die Fledermaus conducted by Richard Bonynge, with Malvina Major as Rosalinde, [illegible] King as Alfredo and the German alto Jochen Kowalski as Orlofsky. Last performance [illegible] (240 [illegible])

Coliseum [illegible] The Love for Three Oranges [illegible] by Martin Andre, original production by [illegible] Jones, [illegible] including Anne Collins, Donald [illegible] and [illegible] Woodrow. [illegible] (836 3161)

DANCE

Royal Festival Hall [illegible] English National [illegible] production of The Nutcracker, till [illegible] (928 [illegible])

THEATRE

This week's shows include Pinter's The Homecoming directed by [illegible] Hall, with Warren [illegible] and [illegible] *Lunghi (Comedy)*. [illegible] The Wind in the Willows [illegible] by [illegible] Hytner and [illegible] McKellan [illegible] III (National), Ingmar Bergman's [illegible] *from a Marriage* (Wyndham's), Anouilh's The [illegible] (Garrick), Joan Collins in Private [illegible] (Aldwych), [illegible] (Drury Lane), Ayckbourn's [illegible] Moment (Globe, [illegible]) and Absurd [illegible] Singular (Whitehall). [illegible] Theatreline: Plays 0836 430959 [illegible] 0836 430960 Comedies 0836 [illegible] Thrillers 0836 [illegible]

MUNICH

Staatsoper *19.00 Yuri Lyubimov's* new production of The Love for Three Oranges conducted by Wolfgang [illegible] (221316)

Kammerspiele 19.30 Ibsen's The Lady from the Sea directed by Thomas Langhoff (23721 328)

NEW YORK

MUSIC

Avery Fisher Hall 20.00 Lynn [illegible] plays Dutilleux's [illegible] with New York Philharmonic [illegible] Dutoit, [illegible] Fourth Symphony [illegible] tomorrow, Fri, [illegible] Tues (874 2424)

Metropolitan Opera [illegible] Rigoletto [illegible] Juan [illegible] in title role, [illegible] Sat. Tomorrow: James Levine [illegible] new production of Die [illegible] 6000)

DANCE

New York State Theatre 20.00 New York City [illegible] in Balanchine's [illegible] *and Stravinsky Violin* Concerto ([illegible] 5570)

THEATRE

This [illegible] include Assassins, new [illegible] by Stephen Sondheim (Playwrights Horizons), City of Angels, musical about Hollywood in the [illegible] by Larry Gebhart (Virginia), Black and Blue, an evening of [illegible] jazz and blues [illegible] tap-dancing (Minskoff), [illegible] in a [illegible] one-man show by Spalding Gray (Lincoln Center) and Six Degrees of Separation, [illegible] play by John Guare (Lincoln Center). [illegible] (239 6200) [illegible] inquiries [illegible]

PARIS

MUSIC

Théâtre des Champs-Elysées 20.30 Kenneth Montgomery [illegible] Orchestre National de France in all-Mozart programme. Also Fri (4720 3637)

Salle Pleyel 20.30 James Conlon conducts Orchestre de Paris in Schubert's Third Symphony and Mahler's [illegible] Klagende Lied. Also tomorrow and Sat (4563 0796)

THEATRE

Comedie Française [illegible] Alfred [illegible] Lorenzaccio. [illegible] Moliere's Le Misanthrope [illegible]

STRASBOURG

Palais des Congres 20.30 Vladimir Fedosseyev [illegible] Strasbourg Philharmonic [illegible] in Tchaikovsky's Fourth Symphony, with Heinrich Schiff [illegible] in Elgar's [illegible] (8837 6777)

VIENNA

MUSIC

Staatsoper [illegible] Dalilah [illegible] Georges Pretre, with Placido Domingo and Agnes Baltsa. [illegible] Der fliegende Holländer with Bernd Weikl as the Dutchman and Elizabeth Connell as [illegible] (51444 2960)

Volksoper 19.00 Wiener Blut by Johann [illegible] (51444 3318)

Musikverein [illegible] Neumann conducts Vienna Philharmonic [illegible] in Spohr's First Symphony, Weber's Bassoon [illegible] and [illegible] Symphony. Repeated tomorrow and Fri (505 8190)

THEATRE

***Burgtheater** 19.00* [illegible] An Enemy of the People. [illegible] (51444 2218)

Telephone [illegible] for Staatsoper, Volksoper and Burgtheater available worldwide for holders of credit cards by ringing Vienna [illegible] 513

WASHINGTON

Kennedy Center Concert Hall [illegible] recital by Yo-Yo [illegible] (467 [illegible])

European Cable and Satellite Business TV

(all [illegible] CET)

MONDAY TO FRIDAY

Eurosport

0600-0630 International Business report

CNN

0500-0530 Moneyline

0800-0830 Moneyline

1230-1300 CNN Market Watch

[illegible] Business Day

[illegible] World [illegible] Tonight - a joint FT/CNN production with a [illegible] of the *day's major* [illegible]

2300-2330 World [illegible] Tonight

[illegible] Moneyline

Superchannel

0700-0830 Financial Times [illegible] Report

A five minute business briefing broadcast three [illegible] between 0700 and 0800

2130 (Wed only) Financial Times [illegible] Weekly - the [illegible] round-up.

SATURDAY

CNN

0800-0830 Moneyline

[illegible] World Business Tonight - a joint FT/CNN production.

[illegible] Moneyweek

1900-1930 World Business This Week

2110-2140 [illegible] Money

SUNDAY

Superchannel

1800-1830 FT [illegible] Weekly

CNN

0710-0740 Moneyweek

1540-1610 Your Money

1900-1940 Moneyweek

0040-0110 Inside [illegible]

FINANCIAL TIMES
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Wednesday January 9 1991

Softer stance on hard Ecu

THE [illegible] proposals [illegible] a hard Ecu, [illegible] by Mr John Major [illegible] June, [illegible] still chancellor of [illegible] exchequer, were a political [illegible] dressed in *economic garb*. Their purpose [illegible] allow [illegible] UK involvement in [illegible] European Community's intergovernmental conference on [illegible] and monetary union, despite the former prime minister's loathing of [illegible] almost universally-agreed objective, [illegible] single currency.

Prime ministers may have changed, but objectives have not. The UK still wants to participate actively in [illegible] IGC, even though, in Mr Norman Lamont's words, "we are not able to accept the imposition of [illegible] single currency and [illegible] single monetary policy". With the [illegible] treaty provisions for the European *Monetary Fund put* forward yesterday, [illegible] UK has [illegible] towards [illegible] aim, above all by accepting the notion of a politically-independent EMF.

Admittedly, [illegible] draft [illegible] tease. It provides [illegible] alternative articles. The [illegible] the EMF "shall [illegible] completely independent and shall neither [illegible] nor [illegible] instructions from any Community institution, national government or [illegible] other body [illegible] son". The second says [illegible] "the provisions [illegible] this treaty [illegible] without prejudice [illegible] *existing relationships* [illegible] national central banks and the governments [illegible] the [illegible] States".

[illegible]ap filler

By allowing for [illegible] possibility of EMF independence, [illegible] UK is putting forward a [illegible] attractive proposal for "what has become known as the second stage of Emu", in Mr Lamont's words. An *independent monetary institution* [illegible] would not only offer [illegible] hard EC currency but also [illegible] exchange rate [illegible] could fill the gap between what exists today and the ultimate monetary union.

That gap needs filling. The Commission's own draft treaty [illegible] the [illegible] January 1 1994, but grants it a far-from-impressive list of functions. If it were allowed to *manage its own currency too*, the creation of this institution would be [illegible] to justify.

The UK might [illegible] find itself gaining support from [illegible] the Commission [illegible] number [illegible] member countries. Among [illegible] latter would [illegible] *those most* [illegible] *creating* any influential EC monetary body [illegible] would not labour under [illegible] *disadvantage of* being [illegible] Bundesbank.

Strong opposition

Naturally, the Bundesbank is unlikely [illegible] it [illegible] way. Its opposition both [illegible] the division of authority [illegible] monetary policy and parallel currencies remains as [illegible]. While [illegible] might well [illegible] mollified by [illegible] of UK [illegible] towards the principle of central bank independence, [illegible] likely [illegible] remain unhappy [illegible] rest of [illegible] proposal. Technically, *it has reasons for being* so. A successful parallel currency (itself [illegible] unlikely, [illegible] Mrs *Thatcher remarked in a moment of suicidal candour*) would [illegible] monetary management more [illegible] possibly more inflationary, [illegible] under [illegible] proposed rules for [illegible] Ecu.

German opposition [illegible] just [illegible] of [illegible] be jumped. [illegible] another, [illegible] question of [illegible] – what the UK government refers to as [illegible] "imposition" [illegible] single currency [illegible] monetary policy. On this [illegible] seems still to be an impasse. The [illegible] EC wishes, [illegible] point, [illegible] make a political decision to adopt [illegible] single currency; but the UK [illegible] that [illegible] a purely evolutionary step.

[illegible] here a compromise can [illegible] envisaged. With some adjustment [illegible] Commission's draft treaty, [illegible] threat of an "imposed currency" could [illegible] lifted. [illegible] UK could then find itself signing a treaty *allowing the* [illegible] *of*, [illegible] not imposing, a European currency that could then be chosen by some [illegible] a replacement for their national [illegible].

In short, with [illegible] clear commitment to [illegible] principle of central bank independence, the UK's proposals might now attract [illegible]. The time has come for the UK to stop teasing and recognise that central bank independence [illegible] *the minimum price of entry* into the debate on the EC's monetary future.

Up to a point Mr Gorbachev

NOTHING [illegible] now clear in the [illegible] Union, [illegible] of the incoherence which surrounds all executive action. We thus cannot judge [illegible] to the Baltic republics on Monday constitute a decisive piece of evidence that Soviet power is sliding into neo-totalitarian order – as many, including Mr Eduard Shevardnadze, the for[illegible] minister, [illegible] – or if it is *simply lurching* [illegible] an authoritarian direction [illegible] placate the military.

In evidence of the first, it is clear that those who now have [illegible] upper hand in policy-making are anxious to slow [illegible] even [illegible] the [illegible] change; that the retention [illegible] the union is seen as the most urgent ("sacred", Mr Gorba[illegible] called it) [illegible] for 1991, irrespective [illegible] the [illegible] republics' wishes and [illegible] desires; and that those taking the top jobs [illegible] convinced Communists, rather than Social Democrats in embryo.

In evidence of the second is the fact that few in Moscow regard *the Baltics as they* regard themselves – as illegally occupied territories. From Moscow, they look *more* like countries which were part [illegible] the Soviet empire for two centuries, save *for* the [illegible] war period; where in all some 4m ethnic Russians, Ukrainians *and* [illegible]*her non-Baltic*, Soviet peop[illegible] have made their homes; and which lie along the [illegible] vital *Baltic* coasts. Thus widespread civil disobedience – the refusal of nine out of 10 draftees to obey the call to the army – must be [illegible] concern, especially when coming on top of repeated verbal and physical attacks on the Soviet army stationed there. Mr Gorbachev's people will not be too embarrassed [illegible] argue [illegible] protesting western ambassadors that this is an internal matter: and to ask them what their *states would do in the face of* such draft-dodging.

Refusal rate

But that is only the story so [illegible]. The underlying point [illegible] a nine out of 10 draft refusal rate is that it shows that a huge majority in the Baltics – and in other republics – now believes that Soviet power can be flouted with impunity. If, therefore, it is [illegible] itself, it will need not to [illegible] force, but to apply it.

The best hope that it will not, and that this is just another unpleasant piece of gesturing, lies in the figure of Mr Gorbachev himself. Democratic institutions have not been locked into place anywhere in the Soviet Union, and civil society [illegible] and confidence. Progress or [illegible]*tion depend*, [illegible] *they so* [illegible] have before, on the personal [illegible]cter and predilections of *the leader*, and on *how far he* must bow to this wind or that storm. Mr [illegible] – this much *is* clear – presently bowing to a reactionary communist storm. But we in the [illegible] must [illegible] that if and when it blows [illegible] out, he will straighten his [illegible] and resume his pilgrim's [illegible] rough and stony path called reform.

Delicate manoeuvre

In truth, [illegible] *much* else we can do. The west presently needs to keep the [illegible] *Union on side against Iraq* – a delicate manoeuvre, with the architect of that consensus, Mr Shevardnadze, *still* apparently intending to [illegible] from the Foreign Ministry, though some high officials in Moscow still say he will not go, at least not from the leadership. The west *has* sunk a great deal of faith and credit into Mr Gorbachev; [illegible] its only candidate for president and any rocking of his boat could make matters worse for Soviet citizens

This is depressing, but that is the present day [illegible] Union. There is, however, one large reservation. If it becomes clear, through the fog of incoherent policy-making, decisions made and decisions [illegible]celled, that Mr Gorbachev or anyone else plans *to roll back* the reform carpet and institute [illegible] No More Mr Nice Guy regime, the west must be prepared to recognise that the promise [illegible] new order [illegible] be postponed, and resume a frigidly careful stance. Mr Gorbachev has used the [illegible] he has won with the [illegible] and the aid he has got [illegible] can expect, as an important counter in his domestic political struggles. He cannot continue to count on doing so if it becomes obvious [illegible] he is suppressing th[illegible] his [illegible] helped [illegible].

Ian Davidson asks whether the current Gallic malaise is a 'crise de régime' or merely boredom with President Mitterrand

France's national identity crisis

Three themes dominate the headlines [illegible] France [illegible] days. The first, [illegible] looming prospect of [illegible] war in [illegible] Gulf, *and* [illegible] unhappiness of [illegible] French people [illegible] the idea of taking part in it. A close second is the [illegible] passionate linguistic battle, [illegible] of [illegible] circumflex accent. And third, obscurely but insistently, is The French Crisis.

Just what this crisis amounts to, [illegible] matter [illegible] speculation; [illegible] it so interesting, and so French. The French cannot [illegible] long [illegible] working themselves [illegible] *into* [illegible] *drama*; *unfortunately*, it is not [illegible] to [illegible] naked eye whether the drama is serious, or just dramatic.

Undoubtedly, [illegible] *country* [illegible] entered [illegible] new year in [illegible] atmosphere of great pessimism. Part of this gloom may be explicable in down-to-earth terms, such as [illegible] slowdown in [illegible] growth, or [illegible] eruption of a number of [illegible] problems, not [illegible] mention [illegible] Gulf crisis.

[illegible] the mood [illegible] projected by [illegible] media [illegible] past [illegible] months [illegible] well beyond [illegible] tribulations of everyday [illegible] or [illegible] cycle, and [illegible] suggested [illegible] France is entering [illegible] kind [illegible] profound [illegible] whether the end [illegible] era or [illegible] *régime*".

The [illegible] reflex in [illegible] *weekly news magazines* is to lay the [illegible] François [illegible]rand, [illegible] he [illegible] too *long*, or [illegible] to [illegible] playing perverse games on the [illegible] stage. [illegible] week L'Evénement du [illegible] *splashed* [illegible] *front* page with the rhetorical question: "Ten Years – Isn't That Enough?"

[illegible] commentators [illegible] further, [illegible] there is something structurally wrong [illegible] *the country's* political institutions; [illegible] if [illegible] were quite long enough [illegible] bored with the [illegible] republic, and [illegible] therefore [illegible].

EC developments have precipitated [illegible] reappraisal of traditional French models and values

Now it is obvious that all is not [illegible] on the political scene. [illegible] political [illegible] suffering from a serious loss of moral credibility; the government is hampered by the lack of a *reliable majority*, as well as by [illegible] between [illegible] the prime minister; [illegible] governing [illegible] party *is barely* [illegible]aging to contain [illegible] latent power struggle over the succession to President [illegible].

At the [illegible] time, [illegible] opposition [illegible] be hobbled by the splits [illegible] the respectable [illegible] parties, and humiliated by the apparently endless ambitions of rival party [illegible]. And on the [illegible] right wing, [illegible] political shortcomings are reflected in the wor[illegible] buoyancy of the National [illegible].

But it is not clear that France's current political [illegible] blamed mainly on the [illegible] of the fifth republic, let alone the more general sense of a national psych[illegible] drama. On the contrary, the [illegible] interesting and most compelling current theory* is that France is entering a sort of crisis of identity, precipitated by a series of upheavals in the country's familiar political environment.

German unification has intensified *long-suppressed* [illegible] *feelings of* ambivalence, not only towards German economic power, but also over [illegible] own [illegible] during the Second World War. The prospect of a war in the Gulf is exposing France's long-standing pretensions to an independent [illegible] policy. And the prospect of [illegible] great leap forward in the European Community is precipitating a reappraisal [illegible] traditional French models and values. In short, France may be [illegible] a [illegible] with [illegible] destiny, past, present and future, [illegible] is being [illegible] drama.

[illegible] sense of [illegible] emerges in [illegible] year poll published in the Figaro newspaper. This [illegible] sharp [illegible] in the [illegible] taking a pes[illegible] view of the year just ended, [illegible] 27 [illegible] cent at [illegible] end [illegible] 39 per [illegible] end of 1990. More[illegible] 41 [illegible] cent take [illegible] gloomy view of the year ahead, compared with only [illegible] per cent 12 months ago.

[illegible] poll [illegible] are matched, [illegible] even have [illegible] by [illegible] *of some* [illegible] in the weeklies. Here is a handful [illegible] Le Point: "Corruption"; "Crise de *Régime*"; "Education – *the Failure* [illegible] Left"; "Violence [illegible] School"; "French Anxiety – What Kind of Ger[illegible] will [illegible] Born?". Or [illegible] Economiste: "Vulnerable France"; "France's Mood Darkens"; "Drôle de Crise"; "A [illegible] For Us".

In [illegible] terms, [illegible] rather [illegible] yet [illegible] justify such [illegible] thoughts. The economic gro[illegible] had already [illegible] down, even before the outbreak of [illegible] crisis, [illegible] is likely to [illegible] *further* [illegible] *the coming year*. [illegible] hand, France [illegible] still [illegible] a recession (unlike the UK), [illegible] growth rate [illegible] *only decline* from [illegible] per cent in the second half of 1990 to [illegible] per [illegible] in the [illegible], and will start to pick up again in the sec[illegible].

The [illegible] mean [illegible] unemployment, long the chief black spot on [illegible] economy, and which *was* starting to fall a year ago, is now creeping up again. This [illegible] one *of the triggers both for the riots in the* suburb of Vaulx-le-Velin outside Ly[illegible] last October, and for the wave of *secondary-school* student demonstrations [illegible].

[illegible] cases the demonstrations erupted [illegible] deprived working-class areas, where the young are already [illegible] most exposed to unemployment. The headlines were captured by the [illegible] and looters, but the central fact about the school demos was that it [illegible] the [illegible] who led the strike – that is, the relative élite who [illegible] some hope [illegible] attaining an academic qualification and a ticket to [illegible] good job. If they were protesting, [illegible] was against the fear that this hope might be taken away from them by a [illegible] of under-funding and economic slowdown.

Apart from securing a sharp increase in education funding, the strike has had two unintended effects: it has revived public controversy over the *traditional values* [illegible] education system, and it has focused intense criticism on the maverick role played by President Mitterrand.

For 100 years the French school system has been aligned on the academic values of the baccalauréat. Recently that aspiration has been raised to new heights, with the target of doubling the proportion staying on at school to take the "Bac" from 40 to 80 per cent. Every year the numbers rise impressively; but the wisdom of the target is being more and more openly [illegible]tioned, [illegible] both of management and of intellectual feasibility.

Above all, people are beginning to ask whether a school system on such a massively increased scale can be run nationally. Since the nation's teachers have long been cast in the role of "hussars of the republic", emissaries of the values of the centralised secular state, these questions go [illegible] of France's [illegible].

[illegible] Mitterrand [illegible] acute public criticism for the way he appeared to side with the school demonstrators [illegible] his own government. He invited the strike leaders to the Elysée Palace for a fireside chat, [illegible] scandalous insouciance appeared to encourage their demands.

This is by no means the first time Mr Mitterrand [illegible] played the role of public gadfly, perhaps as a reminder of his socialist past and his sympathy for ordinary people. But it is a testing part, since he also happens to preside [illegible] the government and has been responsible for its policies for the past 10 years. Moreover, cynical observers (that *is*, 55m Frenchmen) persist in believing that President Mitterrand's real objective is to find a suitable opportunity to get rid of Mr Michel [illegible], the prime minister, and to replace him by one of his protégés.

[illegible] Mr Mitterrand [illegible] a rare gesture of public support for Mr Rocard, suggesting that he would be there for the long run, and perhaps even for as long [illegible] wanted [illegible] stay.

In fact, this has always been the most logical consequence of the parliamentary arithmetic, since no other prime minister would be likely to do as well as Michel Rocard in managing the *lack of a reliable majority*. But Mr Mitterrand's antipathy for Mr Rocard is long-documented, not least because the prime minister is much the strongest candidate to succeed him.

With four years to go before the next presidential election, and with Mr Mitterrand apparently in vigorous health, the jockeying between rival Socialist contenders is still (just) being contained within decent bounds. The same cannot be said for the opposition conservative parties, however: *the two rival leaders*, Mr Jacques Chirac of the Gaullists and Mr Valéry Giscard d'Estaing of the UDF, are locked in a *combat that is* [illegible] becoming ridiculous, but which shows no sign of ending.

Two [illegible] a group of young conservati[illegible] mounted a half-hearted challenge to these ageing chiefs, but were quickly routed by the party machines. Two of the young rebels, Mr Michel Noir and Mrs Michèle Barzach, finally broke loose last month, by resigning from the Gaullist party. But theirs was *a solitary* rebellion, and it remains to be seen whether they will recapture their seats as independents at the end of *this month*.

Unfortunately, France's politicians are also suffering from a general loss of reputation, as a result of revelations of widespread party corruption, magnified by a scandalous amnesty law which they voted through this time last year. This may partly explain why some leading politicians are retreating from the national stage to local politics.

But another part of the explanation, according to the latest theory, is that there is a sudden loss of confidence in *the French national model in the face* of France's new European destiny. The old model was of a centralised nation-state, interventionist, *Jacobin*, and universalist. The new model, as required by the European destiny, must be decentralised, multinational, free-market, tolerant and pluralist. In short, many of the national values celebrated with such gusto at the bicentenary of the revolution two years ago are now in question.

This may well be the deep cause of the current malaise, not to mention the buoyancy of the *National Front*. For 10 years now, President Mitterrand has succeeded, with magisterial skill, in stifling any significant challenge to his European policy. For the past five years, he has even lured the Gaullists away from their traditional hostility to the European Community – until last month they suddenly reverted to their old-time religion.

Launching a new party policy document *on Europe last month*, Mr Chirac told Gaullist party leaders: "We refuse the conception of the French Socialists, as well as of the Germans and of the Italians for a Federation of the Twelve." He called for the creation of an intergovernmental union of the nations of Europe, which should aim to encompass all 500m people in the continent.

The party's new European platform *castigates the supranational pretensions* of what it calls the Brussels technocracy, and rejects the idea of a single European currency. This anti-integrationist tone is a throw-back to the original nationalism of General de Gaulle, and represents a sharp break in the appearance of political consensus which in recent years has muffled the debate in France over the future of its European policy.

In practical terms, it is now too late for the nationalists to react. The French are now committed to a European policy, and no other is available. But this does not mean that they can indefinitely avoid a national debate, a drama and perhaps a crisis.

* *Entrer dans le XXIe Siècle; Essai sur l'Avenir de l'Identité Française; Secretariat d'Etat au Plan; La Documentation Française. FFr120.*

Alan Harper

President [illegible] attracted acute public criticism for the way he [illegible] to side with school demonstrators [illegible] his own [illegible]

OBSERVER

Dark horse at Lloyds

■ After a long period of surprising stability, there are signs of movement near the *top of the smallest, but most* dynamic of the big four London clearing banks. Paul [illegible] appointment to the board [illegible] Lloyds Bank [illegible] once again on the interesting question of who will replace Brian Pitman, the UK's senior clearing-bank [illegible].

The combination of 62-year-old Sir Jeremy Morse as Lloyds' chairman, and Pitman, who is 59, [illegible] one of the longest and most successful recent partnerships in banking. Under their tenure, *Lloyds has been transformed* from a small clearing bank with an unhappy exposure to *heavily indebted Latin* American countries, into [illegible] of Britain's few successful financial service companies.

Pitman, who joined Lloyds in 1952, has long impressed the City with his commitment to maximising shareholder value, rather than [illegible] the bank's [illegible] sheet. [illegible] year he agreed to stay on beyond the normal end-1991 retirement date to carry through the reshaping of Lloyds for the 1990s. However, even he has to accept that there must be life after Pitman.

John Dawson, regarded by some as his obvious succ[illegible], retired last year, and Michael Thompson, *the deputy chief executive*, is stepping down at the end of this month. So Brown, who at 48 heads Lloyds' [illegible] growing private banking side, [illegible] be regarded as a likely contender for Pitman's job along with 52-year-old Robert Pirrie, head of UK retail banking, and Michael Hepher, managing *director of Lloyds Abbey Life*, who is 46.

All three are grammar school lads, and Pirrie and Brown are Black Horse veterans of three decades' standing. [illegible] Hepher is not a banker – which in any other bank might be considered an advantage these days. *Nonetheless*, he cannot be discounted even in Lloyds, especially if it continues to diversify from traditional UK clearing banking.

Golden lore

■ Gold bugs seem to be able to link the performance of their precious metal with nearly anything to produce a pattern they consider meaningful. But, in view of the latest events in the Gulf, *some* research by South African analyst Tony Henfrey deserves a wider audience.

It appears that every 26 years gold production reaches [illegible], and he expects the next [illegible] to be *in 1991*. The peaks [illegible] production have all [illegible] within a year or so of some important dates: *1914* (world war one); 1939 (world [illegible] two) and [illegible] (Vietnam war).

Circus joke

■ If you are a show business promoter and someone rings purporting to be from the Moscow State Circus, then check that they have the right number of lions and elephants.

One little-noticed consequence of the sweeping changes in eastern Europe over the past year is that there [illegible] an outbreak of circuses travelling under this famous banner. As lar[illegible] parts of the eastern bloc's state apparatus are dissolved in the move to a market economy, thousands of government-employed *circus folk* have been thrown out of work.

The result is that batches [illegible], jugglers and lion [illegible] are roaming around western Europe, looking for [illegible]. The countries which seem to be most affected are Germany and Switzerland. The westward march of the circus emigrés [illegible] yet to make [illegible] way [illegible] Britain.

Some of the entertainers, showing if not a willingness to conform to western trade-description legislation then at least some entrepreneurial zeal, have formed groups claiming to be *the* Moscow State Circus.

Only one such group exists: it is performing in London's Battersea Park in May. I have been assured by its organisers that theirs is the real thing.

"He says he's in a flurry of diplomatic activity, but I think [illegible] with his girlfriend."

Listening out

■ There is not a lot [illegible] Joanne Hurst, general manager of The Listener, does not [illegible] about loss-making weekly publishing. But [illegible] she admits that the chances of a last minute rescue for the BBC's 62-year old magazine are pretty slim. The final issue has been published and the staff are already looking for new jobs.

The BBC's decision to retain the use of the title for itself was the final blow. [illegible] title, no backers. "The magazine [illegible] from the worst sort of neglect. It was just left to rot," says Hurst who joined from the New Statesman less than a year ago.

Investment in cost-saving new technology was often debated, but always postponed. Successive relaunches and new editors could not halt the downward circulation spiral, and the recession hammered [illegible] already thin advertising [illegible]ase. A magazine losing £1m a year with [illegible] staff of under 20 was clearly living dangerously.

In the end, The Listener failed because it was a compromise. Following an misbegotten attempt to turn it *into* a waiting-room *humour* magazine, its last editor went for increased discussion of broadcasting issues at some cost [illegible] its traditional arts and ideas coverage. In the end, no-one was satisfied.

Rock sample

■ [illegible] Cribb, a consultant geologist, has been doing research into Scotch on the rocks. As any serious Scotch whisky drinker knows, the water that goes into their favourite tipple is critical to its flavour. What they probably fail to appreciate is that the local rock strata determine the flavour of the water.

Cribb found that the oldest, *from a geological point of* [illegible], are pre-Cambrian-derived malts from west Islay. The *water for these drains through* coarse Torridonian sediments and produces smooth, golden-coloured, dry [illegible]. Cheers.

Farming tail

■ Have you heard about the farmer who [illegible] £500,000 on the pools?

Asked what he would do with the [illegible], he replied: "I'll just carry on farming until it's all gone."

Oilfield pollution: a burning issue

David Thomas assesses claims that a Gulf war would cause an ecological catastrophe

Mr Brig Oubridge recently swapped his Indian tepee in west Wales for the greater splendour of a room in the Sheraton Park hotel in the heart of London's Knightsbridge. For this temporary change of address, Mr Oubridge can thank one of the [illegible]anger pacts to have emerged from the Gulf [illegible] an anti-war alliance of the Jordanian government and the British Green party.

Mr Oubridge and his fellow Green party activists moved into the Sheraton last week to maintain the momentum of a conference held in London on the environmental consequences of a Gulf war. The conference had been hugely successful in publicity terms: fears of an ecological disaster caught the imagination of the media and wrongfooted the authorities as they prepared for a Gulf conflict. British Green activists had contacted the Jordanians after King Hussein of Jordan first voiced [illegible] fears in November as part of his energetic attempts to avoid war in the Gulf.

The hotel lobby presented an odd sight as the world's press scrambled to report fears of Kuwait burning for a year and of disruption to the Gulf's entire climate system. In one corner, an official of the Jordanian government – which was picking up the Sheraton bill – gave a stream of interviews. In another, a Green party activist commandeered a phone. "We're mounting a campaign against the war," she said hurriedly into the mouthpiece.

The bandwagon had started after Dr John Cox, a chemical engineer and environmental consultant, warned the London conference that a smoke cloud of nuclear holocaust proportions would shroud the Gulf after a war. This could in turn threaten more than 1bn people with starvation because it would cause the Asian monsoons to fail, Dr Cox argued. Not to be outdone, Dr Abdullah Toukan, scientific adviser to King Hussein, predicted a one-off 15 per cent increase in emissions of carbon dioxide, the main global warming gas.

Almost buried by the furore were caveats entered by other conference participants. In the days after the conference, Mr Basil Butler, the managing director at British Petroleum in charge of environment and safety, dismissed the more lurid claims as "disagreeable" and "a blackmail operation". Mr Butler said "they were suggesting that it would be such a great ecological disaster that the world cannot afford to have a war, which is patent nonsense".

Dispassionate scientific analysis has been an early casualty of the charged atmosphere as next Tuesday's UN deadline for Iraqi withdrawal approaches. Immediately after the conference, an "independent" scientific committee was formed to pursue the ecological issues. Its founding members are Dr Toukan, a scientist who [illegible] for the Jordanian government, and two [illegible] activists, Dr Cox, who is also vice-president of the Campaign for Nuclear Disarmament, and Dr Frank Barnaby, former director of the Stockholm International Peace Institute.

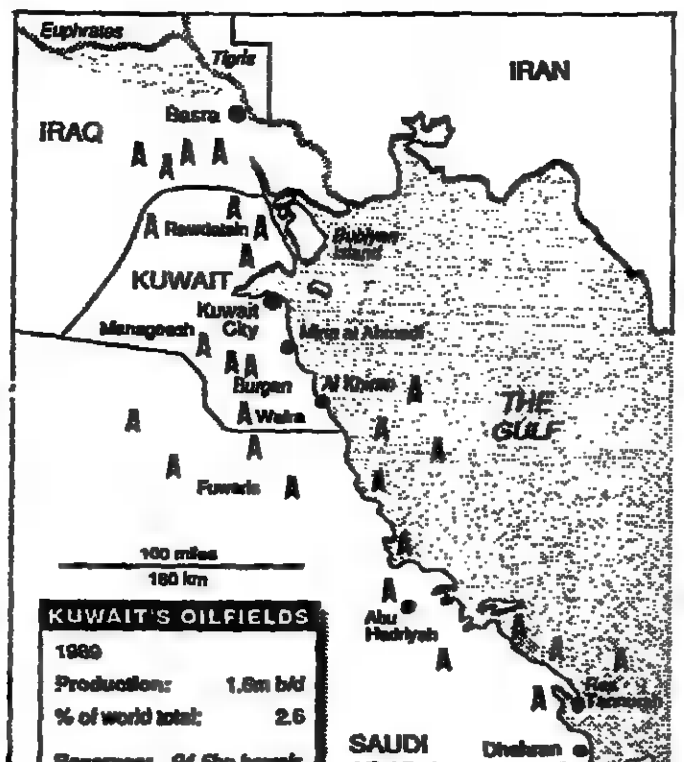
For its part, the UK government reacted with equal lack of detachment. Late last week it ordered the Meteorological Office to make a hurried study of the environmental claims. Simultaneously, Mr John Wakeham, energy secretary, publicly denounced them. Neither the Meteorological Office nor the Department of Energy will discuss the underlying issues, which include:

● How much oil would burn? In his presentation to the London conference, Dr Cox assumed that the Iraqis would set fire to every Kuwaiti oil installation – almost 1,000 wells. However, while it is not difficult to explode mines in oil wells and set fire to the oil flowing from them, engineers familiar with Kuwait doubt whether Iraq could destroy the entire oilfield.

BP's Mr Butler spent 13 years in Kuwait, including a period as chief petroleum engineer of the Kuwait Oil Company. He reckons it more sensible to assume that the Iraqis might try to set fire to about 300 wells. He also disagrees with some estimates of how much oil would burn.

Mr Butler dismisses as "an [illegible]bly large figure" the [illegible] of 10m barrels of oil a day used by Dr Toukan to underpin his warnings of ecological disaster. Dr Toukan says oil would gush more rapidly if unimpeded by normal production processes; but his figure assumes a flow of oil over five times more rapid than Kuwait's production rate immediately before the Iraqi invasion.

● How big would a fire be?



Some environmentalists have argued that a series of fires in Kuwait would create a huge conflagration. This wall of flame would be difficult to put out [illegible] cumulative series of environmental disasters.

Mr Butler also queries this argument, pointing out that the main Kuwaiti fields, such as at Burgan, Rawdatain and Manageesh, are up to 60 miles apart. "There would not be a huge conflagration even from 300 wells burning," Mr Butler states.

● How long would the fires burn? Dr Toukan assumed Kuwait would burn for 12 months in his calculations. Mr Butler believes widespread fires would take nine months at most to put out, with many extinguished well before that.

He dismisses as "nonsense" fears about the lack of Red Adair-type teams qualified to [illegible] oil fires. The number of teams using specialist techniques such as [illegible] the fire with explosives is limited; but most large oil companies could muster in-house fire fighting teams which would use methods such as drilling relief wells, Mr Butler argues.

● Would oil fires damage the climate system? A Gulf war could create enough smoke to block out the sunlight and cut daytime temperatures by as much as 20 deg C, according to Dr Cox, who is drawing on theories of "nuclear winter" – the prolonged darkening of the sky some scientists believe would accompany a nuclear war. By contrast, the Jordanians believe [illegible] of [illegible] by Kuwaiti oil [illegible] could speed up global warming.

Mr Butler is one of the few people in the [illegible] experience of fighting a large oil fire in Kuwait – the one which burnt in the Burgan field for six weeks in 1964. That had a pure flame, much like from a [illegible] burner, producing almost no smoke, says Mr Butler, although some environmentalists dispute this claim.

Smoke or no smoke, Professor Richard Scorer of Imperial College, London, one of the few weather scientists at the London conference, rejects as highly theoretical talk of war-induced nuclear winter or global warming. "We shouldn't really be talking about climatic disaster on that scale at all," says Prof Scorer, who argues that a war in Kuwait could cause more straightforward [illegible] difficulties without worrying about such speculative problems.

A deliberate Iraqi attempt to spill oil into the Gulf, either by [illegible] or attacking oil installations, is one of the [illegible] worrying possibilities, since the tidal flows in the region would carry the oil down the coast of Saudi Arabia.

But the oil industry appears relatively sanguine about the threat of physically disrupting the flow of oil on to the world's markets which a war could pose. The loss of about 4m b/d of Iraqi and Kuwaiti oil exports since the crisis has not disrupted supply: to do that, one senior oil insider says, the Iraqis would have to hit the Ras Tannurah oil terminal in Saudi Arabia, which [illegible] for about another 4m b/d.

The difficulties experienced by the Iraqis in disrupting Iranian oil production during the Iraq-Iran war, despite Iraqi air superiority then, casts doubt on their ability to close the Ras Tannurah terminal; some observers are less confident, however, about the huge refinery there (which was recently partly closed by fire). Saudi oil production near the Kuwaiti border might also have to close temporarily on the outbreak of war, possibly forcing western governments and oil companies to draw on reserve stocks.

The oil industry is preparing for these eventualities; some senior oil executives believe preparations for the oil spills and the fires which would inevitably follow a war should also be stepped up. But few, if any, give credence to the more apocalyptic predictions of ecological doom.

When pressed, both Dr Cox and Dr Toukan acknowledge that more research is needed on the environmental consequences. "Perhaps we were putting forward a worst case scenario ... But everything is possible. That is what is worrying," says Dr Toukan.

Proposals for community charge reform

Why further development is preferable to abolition

By John Banham

It is difficult to find anyone at Westminster with a kind word for the community charge that was so massively endorsed by parliament less than two years ago.

Yet it could be a mistake to abandon the charge and either go back to the [illegible] domestic rating system or to introduce a local income tax.

It might be that the original proposals were right; that it is simply the implementation that has been a mess. It certainly demonstrates how difficult it is to tackle a problem [illegible] department directly, particularly when the minister responsible is repeatedly changed.

Clearly the reforms have not achieved their original [illegible]. The community charge is regarded as a tax, not as a reasonable charge for local services received. Local accountability has not been strengthened; there is no discernible relationship between the level of the charge and local political [illegible] and managerial effectiveness. The burden on individuals is too great. It was originally thought likely the charge would be no more than £150 a year; last year's average was £360.

The safety net rebate arrangements are so complex that few understand them, and the government continues to be blamed for the anomalies that arise. Collection costs are roughly twice as high as for the rates, and the level of non-payment is far higher.

Fundamental change is needed, not just tinkering. Mr [illegible] Heseltine, the environment secretary, should be looking for an urgent "fix" for short-term problems and further development of a new system. This should strengthen local accountability and [illegible] for [illegible] at a time [illegible] mood among local authorities is less concerned with [illegible] than in the past.

The community charge should average no more than £250 in 1992-93. At this level it would produce almost £5bn less than might otherwise have been the case.

The funding gap will have to be made good through some combination of the exchequer funds already earmarked to "fix" the problems; re-allocating existing departmental budgets so that expenditure now funded by local authorities is met from the Department of Employment, social security and National Health Service budgets; and implementing Audit Commission recommendations to secure lower administrative costs for collection.

The funding of different services should reflect the desired accountability. National services, for which ministers are answerable in parliament, should be funded centrally. Services under local control should be funded locally via the community charge. Where local authority [illegible] are competing in the marketplace the customers should pay.

These principles suggest the government should consider reform on these lines:

● [illegible] should be made [illegible] national services such as primary and secondary education, law and order, and housing [illegible]. For education, the grant could be on a per pupil basis to individual schools. The money would come from the existing revenue support grant, the product of the uniform business rate, and the specific grants made to local authorities for different services.

● Community care should be funded by a special "ring-fenced" grant [illegible] ity social service departments.

● Training credits should be introduced [illegible] from April. This would [illegible] non-advanced [illegible] to be financed largely from the [illegible] rather than by local [illegible].

● The community charge would meet the costs of all services [illegible] local control including street lighting and cleaning, [illegible] and leisure services, [illegible] services, refuse collection and [illegible], as well as consumer [illegible].

● [illegible] than individuals should be the basis on which the community charge is levied. If some form of "banding" is thought necessary, a surcharge could be introduced for those households containing individuals paying tax above the standard rate, while those with no one paying standard-rate income tax could be charged a reduced rate of, say, £4 a week.

● Transitional protection for "losers" under the uniform business rate should be provided from exchequer funds. This would ease the burden on businesses whose rates should have been reduced and ensure that, for smaller business in particular, protection applied to the property rather than the business. Business rates in Scotland and Wales should be brought into line with those in England from April.

In the [illegible] term, there may be merit in introducing single-tier local authorities and direct elections for mayors, together with referenda for certain types of local expenditure.

These proposals would bring significant benefits. Accountability for local services would be much clearer. Collection would be easier and cheaper. The community charge would not be a general tax, but a charge for local services obviously under local control.

There would be electoral pressure to contain spending, since every "marginal" pound would come from the community charge payers. The average charge per household this year would be [illegible] than in 1990. Small [illegible] would be put at much less of a disadvantage, while [illegible]turers' expectations of a reduced burden under the UBR would be realised.

The government would be seen to be taking action to further two initiatives that would benefit millions of families: individual training credits for all aged 16 to 19, and the community care programme for the elderly and mentally handicapped.

And a long overdue reform would be rescued from the bureaucratic bog in Whitehall where, too often, departmental interests take precedence, and value for money is confused with economy if not cheapness. The government was right the first time. Now it should get back on track – not retreat.

The author is director-general of the Confederation of British Industry and former controller of the Audit Commission

LETTERS

SIB man's move to Halifax defended

From Mr R.H.F. Croft.

Sir, The article by Eric Short ("Rules Review", December 22) draws an incorrect inference from two recent, but unconnected, events.

As a result it is not only misleading, but also unfair to a particular member of the staff of Securities and Investments Board (SIB).

Arthur Selman's forthcoming secondment from SIB to the Halifax Building Society has been planned for some time.

It has certainly not been arranged in response to the recent statement made by the Secretary of State for Trade and Industry on the SIB's disclosure rules.

Secondments of senior staff need to be carefully discussed between the two organisations concerned; they cannot be set up hastily, to take account of particular external events.

Moreover, the policy that the Securities and Investments Board has adopted on disclosure does not reflect the views of any one individual but has evolved as a result of many discussions and decisions over several years.

R.H.F. Croft,
chief operating officer, SIB,
Gavrelle House,
2-14 Bunhill Row, EC1

State has made the bed for pension funds

From Mr Bill Day.

Sir, News that the government's attempts to induce people to leave the state earnings-related pension scheme (Serps) and take out personal pensions ("The pensions debacle", January 4) is undermining the National Insurance Fund comes as no surprise. The NIF faces a serious problem and will have to take some hard decisions, but this is a problem entirely of its own making.

The attempt to privatise this part of state pension provision is based on an ideology that promotes individual provision at the expense of collective provision, whatever the cost. Efficiency was never a consideration.

The government must now admit that its experiment in privatising pensions has failed, and must commit itself to providing a decent state pension funded from a fair tax on all earnings. Certainly the idea of encouraging people to contract out of Serps without giving any guarantees on the level of pension received is a nonsense. No other country in Europe allows this, because all recognise that a minimum income in retirement is a right, not something to be left to the vagaries of the marketplace.

The government has made a monumental mistake. If its only response is to raise National Insurance contributions, or cut state provision further, it must pay the price.

Bill Day,
national pensions officer, GMB,
22-24 Worple Road, SW19

...Why should we lie in it?

From Mr P.W. Moran.

Sir, Your editorial is the tip of the iceberg.

To take an example: the basic idea of a rebate from a pay-as-you-go scheme into a funded scheme is an impossibility. The initial costs of the former are nil, whereas the object of the latter is consistent costs from year to year. The original saving on state costs against the NI rebates was naturally negligible, and the only way to fund them was an increase in NI. This is a funny sort of rebate which, if perpetrated by private enterprise, would rightly attract the wrath of consumer groups.

Furthermore the greater part of funds and annuities results from investment returns, not contributions. The state scheme has no funds, so it has no investment returns.

Recession, eventual lower interest rates and various court cases will reveal other equally serious elements in this debacle. The last "simplification" left us with nine ways to arrange pensions, with differing rules for contributions, benefits and commutations.

Your expressed need for a "fundamental rethink" is an understatement and could be coupled with the Financial Services Act, which has also spawned [illegible] rules which are detrimental to pensions.

Patrick W. Moran,
Moran Webb, independent financial advisers,
175/177 Portland Road,
Hove, East Sussex BN3

From Mr Michael Elton.

Sir, Richard Gourlay ("UK pension fund value falls by 11 per cent", January [illegible]) refers to a [illegible] survey which concludes that the value of UK pension funds fell by 11 per cent in 1990. Shades of 1974!

This is a healthy reminder that so-called "surpluses" in pension funds provide protection against rainy days. Perhaps the time is ripe to call them "reserves" instead.

I would not have thought that this was just a question of semantics. If the gloomier economic forecasts are not too wide of the mark, adequate "reserves" could mitigate the need for employers to top up their pension funds, thereby increasing employment costs and fuelling inflation.

Michael Elton,
director general, the National Association of Pension Funds,
12-18, Grosvenor Gardens, SW1

The conventional wisdom on world trade badly needs a rethink

From Mr Robert W. Jerome.

Sir, Your prudently optimistic, seemingly thoughtful editorial ("A new start for trade", January 2) restates concisely the conventional wisdom on world trade – that the current Gatt round must succeed or the free trade system will crumble. However, it ignores underlying problems with both the Uruguay Round and the international trading system.

Although getting the European Community to "undertake genuine reform of its common agricultural policy" is the key to jump-starting the round, it is not the key to its successful conclusion. A truly successful conclusion – not just a cosmetic agreement – will be achieved only if real benefits accrue to Gatt's contracting parties. Glossing over real problems to "maintain the system" will result in greater scepticism and the ultimate failure of the Gatt. A greater willingness to make concessions – not only by the EC and the US but by newly industrialised and other developing countries as well – is the sine qua non of a healthy multilateral process. That the agriculture discussions collapsed because the Koreans, followed immediately by the Japanese, objected, was a telling signal. Three-quarters of Gatt's 99 members are exempt from most Gatt disciplines for "development" or balance-of-payments reasons. Many others do not make contributions to the system commensurate with their economic power.

Moreover, a Gatt agreement in and of itself cannot be a panacea for US or EC trade problems – simply because many of the obstacles to freer trade (such as foreign targeting of US industries) were never on the agenda. The premises and principles on which the Gatt system is based no longer fit global economic realities. For multilateral trade liberalisation to have any future, Gatt members must begin to construct a new framework for commitment to begin this effort promptly, and negotiations should concentrate on three sets of issues.

First, the goal of freeing international commerce must be reconciled with legitimate national regulatory practices. The world trading system can no longer assume that trade liberalisation is always more important than environmental protection, occupational safety, and other legitimate national regulatory objectives.

Second, a system that ignores predatory practices – such as targeting of industries and officially sanctioned anti-competitive behaviour – cannot retain broad support.

Finally, a single [illegible] – [illegible] – should be developed to replace two of Gatt's central principles: "national treatment" (treatment of foreign businesses comparable to that [illegible] by [illegible] in a host country), and most-favoured-nation (which requires countries to grant equal [illegible] concessions to all Gatt members, no matter how restrictive some of those members' own practices remain).

The multilateral system you so fulsomely [illegible] is in fact shot through with so many exceptions as to be almost meaningless. The [illegible] a searching [illegible], not [illegible] mouthings of an [illegible] dogma.

Robert W. Jerome,
fellow,
[illegible] Institute,
[illegible] Avenue,
Washington DC

FINANCIAL TIMES
Wednesday January 9 1991

ANC deputy president Nelson Mandela (left) [redacted] Oliver Tambo yesterday

ANC calls for all-party talks to draft basis of constitution

By Philip Gawith in Johannesburg

THE African National *Congress (ANC) yesterday* narrowed differences between [redacted] and [redacted] government by calling for an all-party conference which would draft the broad principles of [redacted] new constitution.

In [redacted] statement marking the ANC's [redacted] anniversary, [redacted] national executive appeared to [redacted] itself from [redacted] previous insistence that a new constitution should be drafted by a [redacted] assembly elected on [redacted] simple one-person one-vote, non-racial basis.

The government has [redacted] tently rejected this demand on the ground that it would effectively concede black majority rule even before negotiations began.

The government's position is that the drafting of a new constitution should be a multi-party affair.

The ANC now appears to be broadly in line with this approach. Mr Nelson Mandela, *deputy president of the ANC*, said yesterday: "It would be a mistake for the ANC or the government to think they are the only parties in the negotiating process."

Mr Gerrit Viljoen, minister for constitutional development, and the government's chief political negotiator, gave a pos[redacted] to the ANC's [redacted] "I welcome [redacted] point of [redacted] favour [redacted] multi-party [redacted] in preparation for [redacted] constitutional negotiation process."

The ANC's statement [redacted] the all-party congress would have [redacted] Firstly, to set [redacted] principles within [redacted] constitutional [redacted] could [redacted] The [redacted] would [redacted] of [redacted] body that would draw [redacted] Finally, [redacted] congress would establish [redacted] interim government [redacted] process until [redacted] new government was in place.

EC unable to bar Hondas made in US, says UK minister

By Peter Montagnon, [redacted] Trade Editor, in London

HONDA CARS built in the US will have to be admitted freely to European Community markets because their place of origin puts them [redacted] existing quotas on Japanese cars, Mr Peter Lilley, Britain's trade and industry secretary, said in London yesterday.

[redacted] would be [redacted] *European Community* [redacted] restrict imports of the Ohio-[redacted] which the company [redacted] to start selling in Europe [redacted] spring. [redacted] to Japan [redacted] week.

Free [redacted] for US-made [redacted] would [redacted] undermine French [redacted] *other objections* to Britain's [redacted] should [redacted] European restrictions on [redacted] and would [redacted] efforts [redacted] Japanese [redacted] single market [redacted] European [redacted] industry [redacted] say.

[redacted] Japanese [redacted] products [redacted] in the US, [redacted] *photocopiers* [redacted] *printed* circuit boards, have [redacted] ject [redacted] lengthy arguments [redacted] they are of Japanese or American origin for quota or duty purposes. In the case of Honda cars there was no doubt, Mr Lilley said.

International rules defining origin as the place of "last substantial transformation" would apply, making the cars incontrovertibly American. There [redacted] no legal possibility for [redacted] Community to restrict [redacted] shipments.

[redacted] would [redacted] strength of Britain's already "impregnable" position on [redacted] made Nissans, [redacted]

[redacted] yet agreed how [redacted] "transplant" [redacted] new Community-wide quota on Japanese [redacted] Europe, due [redacted] force [redacted] 1992. However, Mr Lilley [redacted] again [redacted] his Japanese counterparts [redacted] Britain's *determination* [redacted] they have free access to all Community markets.

He would also use his visit to urge Japan to lift [redacted] on imports [redacted] companies were [redacted] participate fully in [redacted] *isation* [redacted] *insurance* [redacted] investment management market.

[redacted] would [redacted] Japan not [redacted] discriminate against Europe [redacted] in favour [redacted] US when making government and, particularly, defence purchases abroad. He hoped it would also work for an early resumption of the stalled Uruguay Round trade talks whose future was still "very much in [redacted] balance".

[redacted] exporters [redacted] becoming [redacted] positive towards Japan. They sold [redacted] ($4.3bn) worth of goods and [redacted] 10 [redacted] of [redacted] year, which [redacted] of doubling exports [redacted] Japan [redacted] to [redacted] largely [redacted]

A survey [redacted] for [redacted] Department [redacted] Trade [redacted] Industry shows 30 per [redacted] of exporters now regard Japan as [redacted] priority market, nearly [redacted] as [redacted]

THE LEX COLUMN

Pan Am hits an air pocket

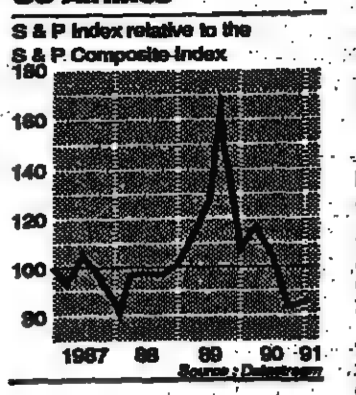
Pan Am had been slithering towards the indignity of Chapter 11 for so many years that [redacted] final lurch yesterday [redacted] distinctly anticlimactic. Even before the Gulf crisis drove up the price of aircraft fuel, Pan [redacted] was one of the [redacted] cases of world aviation, with [redacted] negative net worth of $630m at *the end of* 1989 and net losses running [redacted] quarter. Nor is Pan Am the first US carrier to file for federal bankruptcy protection. Braniff and Continental [redacted] each done the trick not once but twice in the last decade. Given the debt-laden state of the industry's balance sheet, more Chapter 11 filings can be expected before long. And the future of Mr Carl Icahn's TWA is itself uncertain now [redacted] plans [redacted] with Pan [redacted] dead and buried.

The appropriate question [redacted] whether Pan Am's bankruptcy will help the US airline industry [redacted] *badly* needs. Perhaps the best solution for all concerned would be for Pan Am's filing for Chapter 11 to serve merely as a prelude to its absorption by UAL, owner of United [redacted] United [redacted] already agreed to buy Pan Am's London routes, and UAL's apparent readiness yesterday to help stump up $150m to Pan Am *to keep its airliners* flying is an encouraging sign. The snag could be the sheer size and intractable nature of some of Pan Am's debts, such as the $490m of money required to fund its own pension liabilities.

There is also the wider question of the impact on public opinion of this kind of financial débacle. First Bank of New England, now Pan Am: two corporate collapses in a week. Wall Street professionals will have been astonished by neither. But in middle America the spectacle of a flagship company like Pan Am hitting the rocks is bound to deepen the prevailing gloom about the economy, making it still harder for the Fed to revive business confidence.

US Airlines

S & P index relative to the S & P Composite index



Source: Datastream

UK economy

The burden of debt within the UK *economy is shifting* in a slightly disturbing way. The latest batch of official data on last year's third quarter – the first quarter of recession – shows the personal sector back in healthy financial surplus and the savings ratio climbing steadily. The corporate sector's financial deficit, meanwhile, goes from bad to worse.

The rise in the savings ratio is natural enough. Though statistically unreliable, the measure has a natural inverse cor[redacted] the economic cycle. The switch from borrowing to saving comes with the drop in consumer *confidence* caused by inflation, high interest rates and unemployment. In the last two recessions the ratio went over 17 per cent. By 1988 it was down to 4.5 per cent. It is now 8.8 per cent, which suggests there may be some way to go.

The contrast with the corpo[redacted] unsettling. Despite destocking and a reduced rate of increase in cap*ital spending, the corporate* financial deficit in the third quarter was still 5 per cent higher than the year before. As for profitability, the residue of companies' undistributed income has fallen to its lowest since 1982, not only in real but in nominal terms. In that year, dividend cover was 5.5 times. It is now 1.7 times. While this points once more to *dividend* cuts, that will not address the *deficit. Sooner or later the axe* must be taken to cap[redacted] ing, which is when [redacted] sion gets really nasty.

The imbalance in the economy could prove awkward in other ways. Suppose the ungeared consumer regains confidence later this year through falling inflation and rising real wages. Suppose, too, the debt-laden corporate sector cannot respond by increasing *output. So much the worse for* the balance of payments. So *much* the worse, too, for interest rate cuts. The more one sees of this particular recession, the less one likes it.

Sanofi/Sterling

In the nearly two years since SmithKline and Beecham set the trend towards merger in the world drug industry, the fashion has proved remarkably persistent. Now comes a deal between Eastman Kodak and Elf, who are working on putting together their drug subsidiaries, Sterling and Sanofi. As often with such deals, the operational logic sounds appealing: besides *the obvious advantages* of scale in research, Sanofi would *gain much* better access to the US market and Sterling [redacted] Europe and Japan. The risk, as always, is one of culture: whether merger will promote the one quality an ethical drug company ultimately lives or dies by – the capacity to invent new products.

If not, there could be bleak times ah[redacted] The trend to merger is [redacted] just a matter of defensive imitation, though it is partly that. In the US in particular, the onset of recession is leading to increased pressure on drug pricing as part of the attempt to control health costs. Although not cyclical in the conventional sense, the drug *industry has a cycle of its own.* The risk is that it will hit tough times as the rest of industry is recovering a few years from now. This would not be [redacted] good time for misconceived mergers to start coming apart.

Telfos

Down in the engine-room of British manufacturing, the takeover *machine* is spluttering back into life. In the West Midlands, IMI has swallowed up Birmingham Mint; in Yorkshire, William Cook is now hoping to do the same to Telfos, for the sake of its railway and mining equipment business. This latter bid, though small at £40m, raises some questions about whether the time is *right yet for corporate* activity.

William Cook's success in making itself the uncrowned king of the British steel-casting business looks impressive, as witnessed by five years of strong dividend growth. It seems to have enjoyed some solid support in the past from major institutions, led by M&G and the Pru, which have 18 per cent of its shares between them. But it also has £17.5m of debt, and will be incurring at *least £11.9m more if it gets* Telfos with yesterday's offer. That would raise gearing to at least 70 per cent post-acquisition, even assuming that there are no more write-offs to be made from Telfos's rag-bag of ill-advised investments outside engineering. Telfos's recent record is poor and perhaps it deserves to be taken over; but with a possibly protracted recession lying ahead for the UK one hopes William Cook knows what it is doing.

Electronic messages to replace cheques

By David [redacted]
Banking Editor, in [redacted]

CHEQUE payments [redacted] become a thing of the past for companies in Britain by next year.

The five largest UK clearing banks announced yesterday that they [redacted] agreed on [redacted] pilot scheme that would eliminate paper for corporate customers and replace it with electronic messages.

The scheme, known as *inter*bank electronic data interchange (EDI), will enable companies to make payments by sending messages directly from their computers to their banks.

The banks will then transfer the funds and notify the recipient, again electronically.

Banks' use of EDI evolved last year when Barclays, the *largest clearer, set up a system* for its own customers. It was followed shortly afterwards by NatWest. Under yesterday's agreement Midland Bank, Lloyds Bank and the Royal Bank of Scotland will join the other two, and all five will link their systems.

The banks said the benefits of EDI included reduced paperwork *and administra*tive costs, elimination of postal delays and a reduction of the errors inherent in manual systems.

Mr Ian Lynch, an EDI man[redacted] at Barclays, said [redacted] proposed [redacted] would [redacted] one [redacted] the most advanced in the *world and could form the basis* for a Europe-wide interbank data exchange in the EC single market. The system will use Edifact, a computer language adopted by the European Commission.

The five founding banks account for more than 80 per cent *of the UK corporate bank*ing market. Initially EDI will be used mainly to settle regular trade debts where the need for payment is known several days in advance.

A more streamlined system capable of same-day settlement would be developed if the banks perceived a need.

The cost for customers will be based on the use they make of the system. Barclays charges £1,350 ($2,605) a year for access to the service, plus a per-item charge based on volume.

The pilot scheme will start in the third quarter of this year and will last for up to a year. Assuming it is successful it will then be offered as a full commercial service some time next year.

UK charities call for famine [redacted] in Africa

By Michael Holman, *Africa Editor*

LEADING [redacted] charities yesterday launched a [redacted] appeal for aid to Africa with a warning that millions are facing death through starvation unless the world intervenes.

"The spectre of famine once more haunts many regions of Africa," said the charities at the launch in London *of a joint* appeal for help.

"The horrors of 1984-5," when up to 1m people died in Ethiopia, "could once more fill the world's television screens," unless there was an international effort to provide food, transport and medicine, the charities said in a statement issued by the Disasters Emergency Committee.

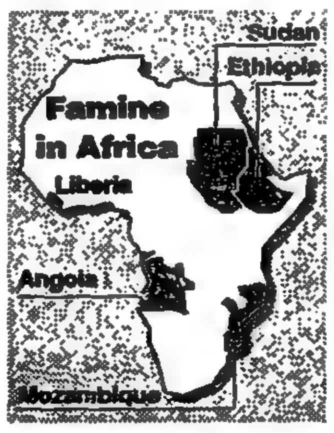
The committee, which meets in response to major disasters, is co-ordinating the fund raising drive by ActionAid, the British Red Cross, the Catholic Fund for Overseas Development, Help the Aged, Oxfam, and Save the Children Fund. The worst hit countries are Ethiopia itself, Sudan, Liberia, Angola and Mozambique, affecting some 15m people.

Other countries [redacted] serious difficulties, including Niger, Chad, [redacted] and Mali in the Sahel belt, and Uganda and R[redacted]

Some charity officials now [redacted] that Africa's crisis is endemic. The continent will need emergency aid "every *year for the* [redacted] *future,*" said one official yesterday. The sharp rise in world oil prices is increasing the severe strain on most African economies. Many aid workers believe that the combination of drought, [redacted] erbated [redacted] by civil war, and rising fuel costs, [redacted] than [redacted] famine [redacted]

[redacted] that a combination [redacted] "donor fatigue" induced by [redacted] an unending [redacted] in Africa, together with anxieties about the Gulf, [redacted]stern Europe and the [redacted] Union, will limit [redacted] to a largely [redacted] ported, unfolding catastrophe. on the continent.

Speakers at yesterday's press conference stressed that "hundreds of millions" of pounds were needed if disaster was to be averted.



Last month Britain provided £5m ($9.5m) for aid to Ethiopia and Sudan. When announcing the package Mrs Lynda Chalker, UK minister for overseas development, promised "more help as the [redacted] requirements [redacted] clearer".

Aid workers estimated that around £100m was raised in Britain in 1985, mainly to assist Ethiopia. This [redacted] the hugely successful Band [redacted] appeal led by Bob Geldof, [redacted] Irish pop singer.

No pop [redacted] this time.

[redacted] safe-passage agreements now in [redacted] negotiation [redacted] Ethiopia, *Sudan, Angola,* Liberia [redacted] – all gripped by civil [redacted] – will be critical to the success of this years' operations.

[redacted] workers yesterday warmly welcomed [redacted] a United [redacted] ship carrying [redacted] northern Ethiopia [redacted] arrived in the rebel-held Red Sea port of Masawa.

Masawa has been closed since [redacted] *seized by rebels of* [redacted] People's Liberation Front (EPLF) last February. Use of the port is crucial to efforts to save the lives of around 4m people hit by drought. The EPLF and the government of President Mengistu Haile Mariam agreed [redacted] December to its use for famine relief [redacted]

Le Monde journalists vote for outsider

By William Dawkins in Paris

JOURNALISTS of Le Monde, France[redacted] leading national daily newspaper, yesterday voted to accept an outsider [redacted] director *for the first time in the paper's* history.

They gave their blessing to the candidature of Mr Jacques Lesourne, a 62-year-old economics professor, writer and former head of a consultancy *business,* as successor to the present director, Mr André Fontaine, who wants to retire to write a book.

Mr Lesourne won 50.3 per cent [redacted] journalists' [redacted] in [redacted] first round [redacted] voting, [redacted] 60 per [redacted] required, but [redacted] it [redacted] second [redacted]

Until yesterday, journalists, [redacted] own [redacted] per cent [redacted] newspaper's shares, always chose a director from among their own ranks. Mr Lesourne must now be accepted by at least 75 per cent of the entire group's [redacted] extraordinary general meeting [redacted] held in [redacted] weeks. This is expected to be a formality.

Le Monde was plunged into a leadership crisis last month, *when its non-*journalist shareholders refused to accept the nomination of Mr Daniel Vernet, the managing editor. He is the formal deputy of Mr Fontaine, who last year proposed Mr Vernet for acceptance by the journalists.

However, the other share*holders argued that Le Monde* should break with tradition and appoint a businessman to [redacted] through [redacted] economic difficulties. They accordingly proposed Mr Lesourne, an [redacted] candi[redacted] Mr Fontaine. Le Monde is expecting to make a small loss on sales of FFr1.2bn ($230m) for 1990, likely to turn into a serious loss this year unless significant cost reductions, including 200 job losses, can be found. Mr Lesourne has chosen *as his editorial chief* Mr Bruno Frappat, an existing senior editor.

Lithuania premier resigns

Continued from Page 1

ing the [redacted] was provocative and counterproductive and [redacted] intimidation".

Mr Marlin Fitzwater, [redacted] presidential spokesman, [redacted] US [redacted] "monitoring closely" *similar* [redacted] the central authorities regarding Moldavi[redacted] the Ukraine, Georgia and Armenia.

Amid growing US [redacted] the turmoil in the [redacted] Union, [redacted] White House said [redacted] Monday *that* [redacted] month's US-Soviet summit in Moscow *might be delayed,* citing in particular the Gulf crisis and arms control disagreements.

The Soviet Defence Ministry yesterday gave Lithuania until Friday to persuade its young [redacted] join the [redacted] and [redacted] Sunday [redacted] and [redacted] same. But many [redacted] expressed [redacted] that [redacted] conscription roundup would [redacted] used as a p[redacted] for [redacted] military crackdown.

Mr Edgar Savisaar, [redacted] prime minister of Estonia, said: "The real aim is to suppress the independence movements of Baltic repub[redacted] He added that it would be impossible to [redacted] the [redacted] and pre[redacted] spontaneous [redacted] civil disobedience if [redacted] overthrew the democratically elected governments. But he also warned that Baltic plans for independence were already doomed if the west continued to do nothing to help.

Baker allays fears of split

Continued from Page 1

today's [redacted] and Mr [redacted] fail.

Mr Izzat Ibrahim, vice-chairman of Iraq's Revolutionary Command Council, yesterday became the most senior official to visit Iran in the past decade.

Mr Ibrahim, the results of whose visit will be closely watched in the west, called for progress in restoring friendly relations.

Iran has so far taken [redacted] neutral stance in the crisis, condemning both the Iraqi inva[redacted] Kuwait [redacted] *of foreign forces in* the Gulf.

Iraq's [redacted] *to* beat the drums of war [redacted] the eve of today's Geneva meeting. "The mother of all battles, [redacted] be fought by the holy fighters *of the Arab nation,* will be a major battle for [redacted] liberation of all third world peoples and the weakened ones on earth," the ruling Baath party newspaper Al-Thawra, said in an editorial.

In Washington, President George Bush urged the allied alliance opposing *Iraq to resist* any pressure for compromise with Mr Saddam Hussein and said president of Iraq now had only a one-week deadline remaining "to choose [redacted] over [redacted]

"January 15 is not a date certain [redacted] the [redacted] *it is* [redacted] *for Sad*[redacted] Bush [redacted]

WORLDWIDE WEATHER

		°C	°F			°C	°F
Ajaccio	F	15	59	Berlin	R	7	45
Algiers	S	17	63	Biarritz	S	15	59
Amsterdam	F	7	45	Bombay	S	25	77
Athens	S	16	61	Bordeaux	F	13	55
Bahrain	S	21	70	Boulogne	R	8	46
Bangkok	C	32	90	Brussels	F	[illegible]	46
Barcelona	S	17	63	Budapest	[redacted]	6	43
[redacted]	–	–	–	Buenos Aires	F	30	86
[redacted]	C	0	32	Cairo	S	19	66
Belgrade	[redacted]	11	52	Cape Town	F	[illegible]	[illegible]

مكبر من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

NatWest warns of loss at US arm

National Westminster Bank is forecasting a loss for 1990 at its US subsidiary, NatWest Bancorp, because of troubles in the local banking market. NatWest Bancorp made a $305m provision in the first nine months of last year, and would be making further provisions in its fourth-quarter results to be published shortly, said John Tugwell, NatWest's chief executive of international banking. The UK bank is to inject fresh funds into NatWest USA, the New York arm of NatWest BanCorp where most of the problems are concentrated. Page 23

Investment test for Peru

Fernando Sanchez Albavera, the Peruvian minister for mines and energy, is calling 1991 the "year of Camisea". The development of this vast gas and condensates field in the country's south-east jungle has become the biggest test for Peru's new policy of encouraging foreign and domestic investment. Sally Bowen reports. Page 24

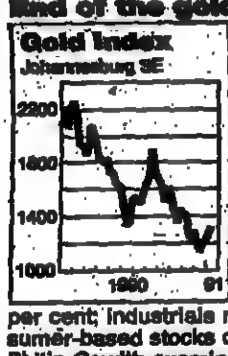
Banks rush to help maverick

Despite a reputation of being a corporate maverick, EIE International, the Japanese property developer, has become a clear case study of Japanese banking willingness to aid troubled clients. Built on the back of an electronics import company acquired in 1977 by Harunori Takahashi (left), EIE accumulated an impressive list of hotels in the Pacific and expensive parcels of land in the US and Britain. EIE's bankers, who admit that they were too ready to lend for projects that were outside its core business, are now actively involved in returning the property group to health. Page 16

Rating a recession

Corporate credit ratings, long viewed as a prerequisite for raising money in the capital markets, have come under the watchful eye of the Securities and Exchange Commission. New proposals from the SEC will limit the investments of US money market funds in corporate paper according to the ratings given by the leading agencies. The funds will no longer be able to invest more than 5 per cent of their assets in paper with less than a top-grade rating. However, some companies fear that such restrictions concentrate too much power in the hands of the ratings agencies. Simon London reports. Page 22

End of the golden days



The demise of gold as a traditional safe haven and store of value for investors took most of the gloss off the Johannesburg stock market last year. The overall index declined by 8.5 per cent on the year, due mainly to the weak performance of gold shares, where the sub-index fell by nearly 40 per cent; industrials rose 8.3 per cent with consumer-based stocks doing particularly well. Philip Gawith examines the market's recent performance. Page 36

Stratagem bids for Touchstone

UK investment group Stratagem yesterday launched a hostile all-share offer for Touchstone, the computer services company formerly known as MBS. The bid valued Touchstone at about £5.6m ($10.7m). Stratagem said it had purchased 7.4 per cent of Touchstone's ordinary shares in yesterday's trading. Holders of 23.6 per cent of the shares had indicated their acceptance "in the absence of unforeseen circumstances". Page 23

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
BMW	370	+	2	Elf Aquitaine	[illegible]	+	2.5
Commerzbank	228	+	6	Lyon Des Eaux	[illegible]	+	[illegible]
Hochtief	1025	+	5	Pechiney Int	[illegible]	+	[illegible]
Falls				UAP	467.1	+	3.2
Deutsche Bank	578	−	2	Falls			
Siemens	567.5	−	2.5	Peugeot	480.4	−	5.7
Wella Pref	663	−	21	Total	597.0	−	8.0
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Pall Corp	35⅝	+	1½	[illegible] Fin	545	+	31
Pepsico	24⅝	+	⅛	Japan Pulp	650	+	22
Falls				Yoshi Real	840	+	20
IBM	109	−	1¼	[illegible]			
McDonnell Doug	31⅛	−	7½	Honshu Paper	1540	−	220
Pan Am	⅜	−	⅛	Nippon Kaiob	590	−	71
Wells Fargo	51⅛	−	2⅝	Sanda	2700	−	350

LONDON (Pence)							
Rises				Crown Comms	41	−	16
CharterCons	421	+	6	Embassy Prop	23	−	12
Lon Electricity	141	+	3½	First Nat Fin	175	−	[illegible]
Pepe	83	+	3	Goode Durrant	78	−	5
Tellos	125	+	15	Hammerson A	607	−	16
Falls				Lloyds Bank	283	−	7
Blue Circle	209	−	7	Morex	95	−	12
Bucknall Aust	81	−	5	Stratagem	135	−	10
Burmah Castrol	477	−	20	Wellcome	[illegible]	−	14
Cardo Eng	115	−	4	Wiltshire Brew	39	−	18
Costain	154	−	11				

Kodak and Sanofi plan drug link

By William Dawkins in Paris and Clive Cookson in London

STERLING DRUG, Eastman Kodak's pharmaceuticals subsidiary, and Sanofi, the French drug company, are today expected to announce an ambitious international alliance, according to company officials.

The two companies recently confirmed that they opened negotiations several months ago. According to a statement yesterday from Kodak, the aim is to produce "a strategic alliance designed to increase the critical mass [illegible] to both [companies], particularly in the areas of marketing and research and development".

Each company sells a little over $2bn worth of drugs per year making it a medium-sized player in the global pharmaceuticals business, compared [illegible] Glaxo and Bristol-Myers Squibb [illegible] of more than $5bn. Analysts say developing a new drug is now so costly – about $300m on average – that an international group [illegible] revenues of at least $3bn a year to keep up a [illegible] flow of new products.

Kodak and Sanofi say the deal will fall short of a full merger. However, officials do not exclude a wide-ranging exchange of shares between a series of subsidiaries.

One possibility is that a European company would be owned 51 per cent by Sanofi and 49 per cent by Kodak, and an American subsidiary would be owned 51 per cent by Kodak and 49 per cent by Sanofi.

The only area firmly to be excluded from the link-up is basic research, where both sides agree on the need to keep full independence.

The deal would not require a significant cash transfer and the parent companies would retain their identities, said Kodak.

Sanofi, [illegible] per cent owned by Elf Aquitaine, the French state-controlled oil group, confirmed the discussions were going well.

At present, Sanofi sells in the US only through licensees. "Sanofi's lack of presence in the US is an obvious weakness," said Mr Andrew Tivenan, European pharmaceuticals analyst at [illegible] in London. "A deal with Sterling would be a good solution for Sanofi in the US."

Kodak bought Sterling Drug for $5.1bn in 1988. Analysts say that its financial performance since the acquisition has been disappointing and that it needs an alliance with a European or Japanese pharmaceutical company, both to gain access to markets outside North America and to obtain new drugs to sell in the US through Sterling's strong domestic sales force.

Lex, Page 14

Pan Am forced to land in Chapter 11

Nikki Tait and Paul Betts look at the latest move in the airline's struggle for survival

Pan Am's dramatic decision yesterday to file for protection from its creditors has put enormous pressure on the British government to approve Pan Am's $290m sale of its London Heathrow landing and take-off rights to United Airlines.

US officials said yesterday that since Pan Am had filed for Chapter 11 under the US bankruptcy code, its future now hinged to a great extent on the controversial Heathrow issue.

It was no coincidence that the US Department of Transport should have given its tentative approval to the Pan Am-United deal on the same day of the troubled US carrier's filing for Chapter 11.

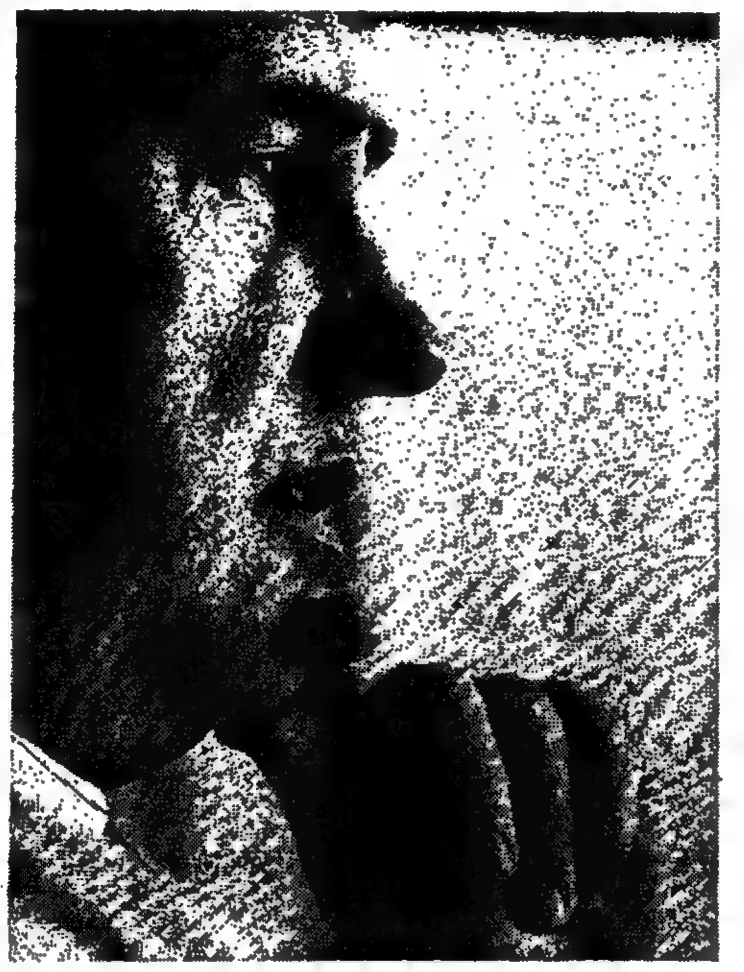
The US government has been pressing the British authorities in recent weeks to revise the bilateral air service agreement between the two countries. This would enable Pan Am, and for that matter TWA, to transfer their valuable Heathrow slots to United and American Airlines respectively.

But the British government has stressed that it would not be rushed into a decision which will involve a significant review of UK aviation policy and the air traffic distribution rules for London's two main airports, Heathrow and Gatwick.

Mr Malcolm Rifkind, the UK transport secretary, has indicated that any decision would have to wait for completion of a wide-ranging review of London air traffic distribution rules by the Civil Aviation Authority. Under these rules, as well as under the bilateral agreement between the two countries, Pan Am cannot automatically transfer its Heathrow rights to United.

British negotiators are next week expected to come under even greater pressure to reach a quick decision during talks on this issue in Washington.

The announcement yesterday that Pan Am had secured a $150m loan agreement with Bankers Trust – which included $50m from United – has increased the urgency of these talks for US interests. This loan, together with the $30m cash which Pan Am has on hand, will enable the airline to meet liquidity requirements until United pays the expected $290m for the Heathrow routes later this month. United has already paid $110m to Pan Am for two Boeing 747 aircraft and some terminal facilities.



Thomas Plaskett, Pan Am chairman: flights will continue

Without the United deal, Pan Am's restructuring efforts and its ability to continue operating normally under the protection of the bankruptcy code could risk total collapse.

Yesterday's developments at Pan Am finally disperse the cloud of uncertainty which has hung over the airline for months – even years. The airline was once viewed as a flagship for the US industry abroad; indeed, it became America's first international airline [illegible] and carried about [illegible] of the international traffic throughout the 1950s.

But the 1980s were a different story. The company took over National Airlines in 1979 to boost its domestic network and promptly ran into labour problems. The [illegible] at a time when deregulation was bringing new capacity into the industry and competition was rife. Over the past decade, the airline is estimated to have made after-tax losses of almost $3bn – before asset sale proceeds.

[illegible] have become increasingly necessary, particularly to see the carrier through the depressed winter periods. The Pan Am skyscraper, which dominates Manhattan's Park Avenue, was sold as long ago as 1985. The process culminated last autumn with the sale to United of its valued transatlantic routes to Heathrow.

But several factors dramatically worsened the [illegible] for Pan Am during the past 12 months. A senior Pan Am official said yesterday that the airline had suffered a $250m loss due to the bombing of Pan Am Flight 103 over Lockerbie; soaring fuel prices had increased the airline's fuel bill by $150m since last summer; prospects of a recovery in airline [illegible] traffic were now in [illegible] doubt because of the US recession; and the Middle East had exacerbated the situation. Pan Am last week suspended flights to Tel Aviv and Riyadh because of the huge increase in war-risk insurance coverage in the Middle East.

Some estimates have suggested that the company was losing money at a rate of $2m a day. So the need for a solution became urgent, and the United deal appeared to promise a balm. But United has made it clear that it would not complete the deal if it did not secure the rights to fly to Heathrow and was forced to go into Gatwick or Stansted instead.

Pan Am also appeared at one stage to [illegible] from TransWorld Airlines, another heavily-indebted airline. But the motives of Mr Carl Icahn, the TWA chairman, have never been clear, and Pan Am was insistant that it needed temporary financing as part of the deal. Negotiations proved difficult over the Christmas period and an alternative solution has been found with the loan from Bankers Trust.

Both Pan Am and United seem to be entertaining hopes that the UK might approve the deal by the end of this month. But by filing for protection from its creditors under Chapter 11 of the Bankruptcy Code, Pan Am also buys time to reorganise.

Standard & Poor's, the rating agency, calculated yesterday that the filing would protect the airline from debt principal obligations and most of its $160m annual interest bill.

Meanwhile, the airline [illegible] flights should not be disrupted. "Financial restructuring will have no impact on the flying public," claimed Mr Thomas Plaskett, Pan Am's chairman.

There is no doubt that Pan Am is hoping to repeat the relatively good experience of Continental Airlines, another heavily-indebted airline which went into Chapter 11 late last year. Continental has experienced relatively little loss of custom. Indeed, given the straits in which the airline industry finds itself, US filers may be becoming all too familiar with this situation.

Three airlines are already in Chapter 11 – Eastern is the third – and although it is not short of cash, TWA's finances are anything but healthy. In short, it seems that all the Cassandra-like warnings which have surrounded the industry are proving to have been deadly accurate.

WPP near to deal on £315m debt plan

By Alice Rawsthorn in London

WPP GROUP, the troubled international marketing services company led by Mr Martin Sorrell, is close to agreeing preliminary proposals with its banks over the restructuring of its £315m ($598m) debt.

The restructuring is likely to include reducing WPP's minimum covenanted interest cover – the ratio of debt interest to operating earnings agreed with its bankers – for 1991 and 1992.

It is also reviewing other covenants, including debt and financial service ratios.

WPP may also extend its $200m working capital facility to around $220m.

The banks are expected to increase WPP's annual average interest rate of 10.5 per cent by at least [illegible] per cent.

The negotiations between WPP, advised by Samuel Montagu, and its 30 banks, led by J.P. Morgan, began in November.

The two sides have agreed a broad framework for negotiations but cannot finalise proposals until WPP's 1991 budgets are completed.

The budgets should be completed within two weeks.

The banks hope to produce proposals by mid-February. It could then take at least another month to complete the deal.

WPP, which is suffering from the slowdown in the international advertising industry, needs to restructure its debt to avert the risk of breaching its interest cover covenants later this year.

The company recently issued a profits warning for 1990 and investment analysts now expect it to report pre-tax profits of around £90m compared with earlier projections of £115m.

The restructuring could include reducing its minimum interest cover from 2.8 to around 2.4 times this year and from 3.2 to around 2.8 times in 1992.

It might also adjust other covenants including negative pledges and the ratio between trade creditors and debt.

WPP may need to extend its [illegible] working capital facility. It has already drawn on $150m of the facility.

One option would be to consolidate some minor debt, chiefly [illegible] overdrafts of operating companies.

WPP is now cutting central and operational costs. However, Samuel Montagu yesterday dismissed as "absolute nonsense" reports that WPP was considering selling minority stakes in J. Walter Thompson and Ogilvy & Mather, its advertising agencies.

French water group to sell assets for up to FFr4bn

By William Dawkins in Paris

LYONNAISE des Eaux-Dumez, the French water distribution and construction group, yesterday announced a FFr3bn ($576m) to FFr4bn programme of asset sales and the acquisition of a small water distributor in southern France.

Mr Jérôme Monod, group chairman, said the sales of non-strategic assets would be completed during the next 18 months. They were taking place because the group wanted to fund acquisitions and investments internally, rather than turning to bank borrowings as before. The group has FFr14.7bn of long-term debts, against FFr20.1bn of shareholders' funds.

Lyonnaise des Eaux-Dumez announced disposals worth about FFr1bn yesterday, including an agreement to [illegible] Paris headquarters to an Asian investment [illegible] for about FFr500m, of which [illegible] will be capital gain. The group is moving to a building in the Paris suburb of Nanterre, built by Dumez to be its headquarters before the two companies merged last summer.

The group also raised FFr300m from the sale last November of its shares in Wessex and Severn Trent water authorities. But Lyonnaise des Eaux-Dumez will keep its 9 per cent stake in Anglian Water Authority. "We don't need to keep three jokers in the same [illegible] in Britain," said Mr Monod. Lyonnaise des Eaux-Dumez also announced the FFr270m sale of its 10 per cent stake in Dyckerhoff & Widmann, the German building [illegible].

It is also paying an undisclosed sum for majority control of Société de Controle Merlin, a family owned water distributor based in Lyon.

Merlin had a FFr1.3bn turnover last year and 4.7 per cent of the French market, which lifts Lyonnaise des Eaux-Dumez's share to [illegible] per cent.

Lyonnaise [illegible] hold second place in French water distribution after [illegible] des Eaux, with [illegible] per cent.

Also, a consortium including DIC-Degrémont, a subsidiary of Lyonnaise des Eaux-Dumez, has won a contract to build an extension to the world's largest water treatment plant, near Tokyo.

The French third of the contract is worth between FFr100m and FFr150m, with the remaining two thirds going to the two Japanese partners, Fuji Denki, the electrical group, and Suido Kiko, the water treatment company.

BankAmerica enters BNE talks

By Alan Friedman, Peter Riddell and Stephen Fidler

THE BANK of America, the second largest US bank, is in talks with federal bank regulators about the possible acquisition of the deposits and assets of the Bank of New England (BNE), the Boston-based bank that was declared insolvent on Sunday and seized by US authorities.

The profitable San Francisco-based bank, with $110bn in assets, believes the 310 branches of BNE's three operating companies in Massachusetts, Connecticut and Maine "could be profitable if the right kind of deal is structured".

BankAmerica, with 1,200 branches in [illegible] Western states, specialises in retail banking and was last year one of the most profitable US banks. The bank said it was reviewing the operations of BNE and may submit a bid thereafter.

Banc One, the aggressively expanding Ohio-based bank, now the 15th largest in the US, said it was also interested in seeing what BNE assets were up for sale. Last year it acquired MCorp, a failed Texas banking group.

Meanwhile, US federal regulators have moved to calm fears over deposits in banks owned by BNE. They sought to reassure depositors that their money was safe in banks insured with the government.

Mr William Seidman, chairman of the Federal Deposit Insurance Corporation, said that "to protect the stability of the system, we should protect all depositors". But he said this was not a precedent for other rescues.

Mr Robert Clarke, Comptroller of the Currency, said "the government is prepared to step in and do what needs to be done. You don't have to be concerned about leaving your deposits in a federally insured institution". He added that the rescue, and possible sale of the operating [illegible] (less some non-performing assets) should "help attract outside capital to the region".

The expected losses of $2.3bn on the rescue of the Bank of New England's banks have already been assumed by the FDIC in projecting a loss on the insurance fund of $4bn in 1990.

In Boston, the former holding company of the Bank of New England filed a liquidation petition under Chapter 7 of the US bankruptcy code on Monday.

The move is technical as it refers only to those few assets not already seized by the FDIC. It means, however, that holders of nearly $500m of bonds have little hope of recovering their money.

هكذا من الأصل

INTERNATIONAL COMPANIES AND FINANCE

Systemhouse chairman forced to step aside

By Bernard Simon in Toronto

MR RODERICK Bryden, one of the high flyers of Canadian business in the early 1980s, [illegible] been [illegible] step [illegible] chairman and executive of SHL Systemhouse, the [illegible] computer systems company. Mr Bryden was credited with once building the company into [illegible] showpiece of Canada's high-tech industry.

Systemhouse, which suffered [illegible] C$40.6m (US$35m) [illegible] in [illegible] latest fiscal [illegible] and whose shares are worth a third of their [illegible] value, said yesterday [illegible] board considered that any recovery required [illegible] appointment [illegible] new chief executive.

The company's share price bounced up by 10 per cent [illegible]terday on news of Mr Bryden's departure.

Systemhouse is a subsidiary of Kinburn Technology, which [illegible] controlled by Mr Bryd[illegible] until it defaulted on C$816m in loans last March. Kinburn's main creditors, the Montreal-based telecommunications [illegible] and [illegible] banking syn[illegible] led by Royal Bank of Canada, have been trying unsuccessfully [illegible] System-house. Kinburn [illegible] owns [illegible] paperboard recycling business.

Mr Bryden, 50, joins a lengthening [illegible] of Canadian entrepreneurs who – like their Australian counterparts – have been forced [illegible] their foundering companies. [illegible] include the real [illegible] and retailing executive Mr Robert Campeau and Mr Garth Drabinsky, who founded the Cineplex Odeon theatre chain.

Mr Bryden [illegible] a university [illegible] and [illegible] civil [illegible]vant before he moved into business in the mid-1970s. He has also become active in politics, and was recently elected president of the Liberal Party in Ontario.

Systemhouse will retain him [illegible] consultant for two years at a fee matching [illegible] current [illegible], bonus and benefits. The company has also agreed [illegible] finance his [illegible] of 125,000 shares, to add [illegible] the [illegible] he holds.

The [illegible] integration company, which had sales of almost C$700m in the year to August 31, has appointed a five-person committee to seek Mr Bryden's replacement.

SunTrust [illegible] up slightly in fourth quarter

By Karen Zagor in [illegible]

SUNTRUST Banks, the Georgia-based regional banking company, yesterday turned in fourth-quarter net income up slightly to $85.8m or 68 cents, from $84.6m or 66 cents a year earlier.

For the whole of 1990, SunTrust posted net profits of $350.4m or $2.75 a share, compared with $337.3m or $2.61 the previous year.

The bank's non-performing assets jumped 14.6 per cent to $605.9m at the end of the year, compared with $528.7m at the end of September last year.

SunTrust said the return on common shareholders' equity fell to 15.9 per cent from 16.9 per cent in 1989. The return on average assets in 1990 was 1.13 per cent, against 1.16 per cent a year earlier.

The group said its total assets as of December 31 rose 7.6 per cent to $33.4bn. Loans in the year grew 4.8 per cent to $22.1bn.

The bank's reserve for loan losses rose 5.2 per cent to $360.2m in the year. Deposits grew 7.5 per cent in the year to $26.8bn.

McDonnell Douglas under attack

Martin Dickson on the cancellation of the A-12 aircraft programme

THIS year could be cru[illegible] the [illegible] of McDonnell Douglas, the largest [illegible] contractor in the US, and it has just got off to an awful start.

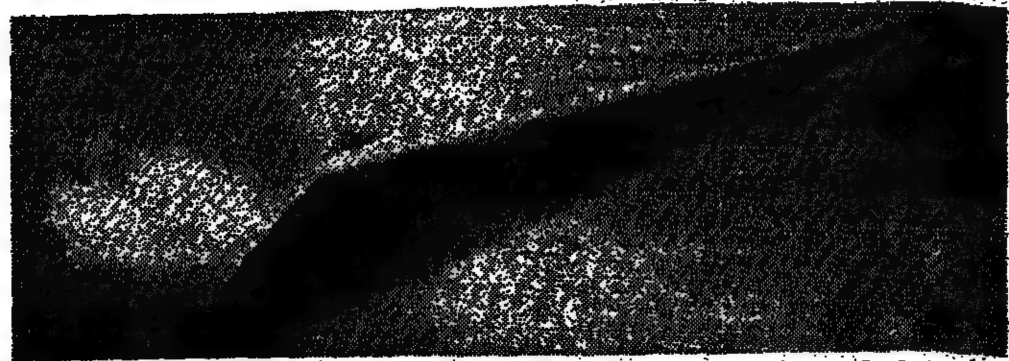
In [illegible] move which surprised military analysts, Mr Dick Cheney, the defence secretary, announced on Monday he was scrapping plans to build a new naval attack aircraft, the A-12, because of what he said were delays and cost overruns by its manufacturers, McDonnell Douglas and General Dynamics, the third largest defence contractor.

The two companies were meant to build eight prototypes of the distinctive wedge-shaped aircraft for $4.8bn, but [illegible] department claimed that [illegible] costs of [illegible] initial development phase would [illegible] to more than $7.5bn.

[illegible] important implications for both [illegible] and for [illegible] whole defence industry, which [illegible]ing from deep cuts in US defence spending. This is [illegible]posed to drop by [illegible] per cent during the [illegible] while accommodating an increase in armed forces personnel as a result of the Gulf crisis. Hardware expenditure is going to be hit very hard.

The cuts come when the industry is in a far from healthy shape, hit by tax changes and the Reagan administration's move in the 1980s to a fixed-price system for military contracts, rather than the old cost-plus model which left the Pentagon paying for cost overruns.

Contractors bid too low for many of the new fixed-price deals and have had large write-offs to show for it. The message from Mr Cheney is that they should rid themselves of any doubts that the government will bail them out.



The A-12 attack plane: scrapped by the US government due to claimed overruns and delays

The cancellation will also intensify debate on whether fixed-price contracts are realistic on programmes at the leading edge of technology, such as the A-12. General Dynamics leapt in on Monday and said the aircraft's development problems were a direct result of this system.

That argument will be pursued in the courts, where the two companies plan to fight the Pentagon's insistence that they should pay for all the cost overruns on the programme.

Cancellation of the programme will also have a significant effect on their revenues and income in the 1990s, although many analysts argue that the pressures on the military budget meant the A-12 was never going to be a particularly profitable aircraft.

Yet, in the short-term, cancellation of the programme could have some benefits for both companies. Mr Howard Rubel, an analyst at C.J. Lawrence, points out that neither company was booking profits from the programme; Mr Cheney's axe immediately stopped their cash drain. It might even allow General Dynamics to reverse part of a $450m write-off it took on the project in the second quarter.

That said, the two companies had been extremely anxious to keep the programme alive – offering last minute financial concessions to the Pentagon – and the resulting lay-off of some 9,000 workers will be a severe blow to morale.

This will be particularly true at McDonnell Douglas, which has been reeling from plans to cut some 17,000 jobs, nearly 13 per cent of its workforce. The problems are due, in part, to defence cutbacks, but also to the inherent weaknesses of its commercial aircraft operations.

For years the company's profitable defence operations, based in St Louis, have propped up the commercial aircraft side, based in Long Beach, California, as it has tried to compete universally against a highly profitable Boeing and a subsidised Airbus Industrie.

Now many of McDonnell Douglas's existing military programmes, such as the F-15 fighter, are running down and others are in difficulties. For example, the C-17 transport, being built at Long Beach, is way behind schedule. The company, and ally Northrop, are also battling against Lockheed, Boeing and General Dynamics over development of an Advanced Tactical Fighter. The Pentagon will choose the winning design later this year for a contract which could be worth more than $50bn over 20 years.

On the civilian side, the company's 10-year-old MD-80 airliner, which has not been consistently profitable, faces declining demand. Hopes are pinned on the new wide-bodied MD-11, which is expected to meet an aircraft-a-week production level by the end of this year. However, some Wall Street analysts doubt whether that is possible and others question the strength of its order book.

All this could put additional financial strains on a company which is highly leveraged – debt is nearly as great as equity – where cash flow may be negative and where net profits are slim on revenues of more than $16bn.

Mr Rubel, of C.J. Lawrence, says he does not believe the company is in financial distress, and McDonnell itself says that the A-12 decision will not have a material impact on its financial condition. Even so, the move must raise questions as to whether the company is likely to weather the next year or two without some radical changes in structure.

INTERNATIONAL COMPANIES AND FINANCE

Sabena admits large losses and plans improvements

By David Gardner in Brussels

SABENA, Belgium's flag airline which [illegible] trying to restructure following [illegible] collapse of its joint venture with British Airways [illegible] KLM 10 days ago, has confirmed [illegible] faces heavy [illegible] for last year.

Mr Pierre Godfroid, who took over as chairman this month with a mandate to overhaul and recapitalise Sabena, said in a letter to company employees that he planned to introduce "strategic and operational improvements in the short term" and that it was "indispensable to get our company out of the very heavy losses it has sustained, within the next 18 months".

Sabena representatives have declined to quantify the losses, but these are expected [illegible] between BFr4bn [illegible] and BFr8bn, [illegible] from a deficit of BFr1.3bn in 1989.

The Belgian government, which has a 53 [illegible] cent stake in Sabena, has asked Mr [illegible]froid to produce a rescue plan for the airline by February 1.

On December 31, [illegible] and KLM withdrew from the joint venture, called Sabena World Airlines (SWA), in which they each had 20 per cent stakes. One of their main reasons for folding the ambitious venture was that it had become clear that SWA needed much more capital than they had anticipated to succeed.

In the first stage of the rescue plan, Mr Godfroid [illegible] ted to *announce heavy redundancies* next week. In the [illegible] five years, the airline's load factor has fallen from [illegible] per [illegible] 65 per cent, while an already bloated payroll swelled from 8,600 to nearly 12,000 employees – though a third of these work in the Sabena group's non-airline [illegible].

Though BA has said it will continue discussing a strategic link-up with Sabena, Mr Godfroid has held talks with American Airlines, which [illegible] turn has talked to Trans European Airlines, the Belgian independent charter airline, which has revived its interest [illegible] link with the state carrier following BA and KLM's departure.

Trucks face 'some tough years'

By Robert Taylor in Stockholm

THE GLOBAL truck market will continue to suffer a downward trend in demand until at least the middle of the 1990s, predicted Mr Leif Ostling, chief executive officer of Saab-Scania's truck division, yesterday.

He said that, whereas 1989 had been one of the best years for world trucks with the production of about 500,000 units, of which Scania accounted for 7 per cent, signs of a slowdown were becoming apparent by the end of 1989. In the first six months of 1990 there was a 9 per cent cut in global truck production.

Mr Ostling said it was too early to estimate the size of the fall in 1991 because of uncertainties caused by the Gulf crisis.

However, he [illegible] that there would be "some tough [illegible] until the middle [illegible] the 1990s" before the market would pick up again.

Mr Ostling said [illegible] in 1989 190,000 trucks had been [illegible] in [illegible] Europe but [illegible] year [illegible] was a [illegible] per cent drop to about 160,000 [illegible] with a further [illegible] 140,000 expected in 1991.

Scania, as the fifth largest truck maker in the world, [illegible] pessimistic about the truck market potential in [illegible] Europe. Mr Ostling [illegible] he [illegible] there [illegible] only [illegible] yearly import [illegible] about 1,000 heavy [illegible] from the west [illegible] next [illegible] to lack of [illegible] for investment and [illegible] improved [illegible]vicing facilities.

Scania remains highly optimistic, however, about truck market prospects in [illegible] Far [illegible]. Mr Ostling [illegible] that [illegible] had been [illegible] strong [illegible] Asia and that [illegible] that this was [illegible] to [illegible].

Wm Cook launches bid for Telfos

By Richard Gourlay in London

WILLIAM COOK, [illegible] acquisitive Sheffield-based steel foundry [illegible] yesterday launched a [illegible] cash and shares bid for Telfos which values the locomotive and railway rolling [illegible] group at about £40m ($78m).

The [illegible] share price, which had fallen as low as 66p last November following boardroom disagreements, immediately rose 15p [illegible] 125p.

The offer involves three new William Cook shares and 300p in cash for every eight Telfos [illegible] values Telfos shares [illegible] about [illegible] each.

Mr Andrew Cook, chairman of William Cook, Europe's larg[illegible] of [illegible], said he had been looking for a [illegible] branch [illegible] add to [illegible] group's steel castings business.

"With the [illegible]logue of ill-judged investments [illegible] the freq[illegible] management changes, Telfos' [illegible] clearly lost its way", Mr Cook said. He said William Cook would retain the core rolling stock and mining businesses and sell most [illegible] non-core [illegible] had weakened the Telfos balance sheet.

Telfos [illegible] the offer [illegible] "unattractive [illegible] derisory [illegible] an [illegible]" and would not [illegible] the group's profits.

After announcing the bid, William [illegible] bought [illegible] shares [illegible] the market raising its stake in Telfos from [illegible] per [illegible] 6.87 per cent.

[illegible] who hopes [illegible] digestion: Page 23; Lex, Page 14

Lloyds Bank faces claim over notes

By Haig Simonian in Milan

JUST as it hoped to have the worst behind it, Lloyds Bank [illegible] the UK has again [illegible] its name embroiled in the complex Italian wrangle over $752.5m of Philippine promissory notes.

At [illegible] press conference in Rome, Mr Giuseppe Dordei, a representative for the Beirut-based Zubaidi Trading Company (ZTC), claimed to have evidence proving that the bank [illegible] liable [illegible] in the affair.

In London a Lloyds represen[illegible] said: "[illegible] are pursuing [illegible] interest through the courts. This does [illegible] alter [illegible] stance in [illegible] way."

The dispute dates to 1987, when Mr Antonio Marinari and Mr [illegible] Esposito, two Italian business executives, walked into the Manchester branch of Lloyds Bank International [illegible] the promissory notes, which were [illegible] be used to finance a food export deal involving ZTC.

Suspecting a [illegible] bank kept [illegible] documents, which [illegible] later handed [illegible] the police, [illegible] then began proceedings against [illegible]. After Mr Marinari [illegible] spent [illegible] months in jail on [illegible]mand, the [illegible] was dropped.

However, in June [illegible] year Lloyds [illegible] executives [illegible] stunned by an Italian court [illegible] to sequester [illegible] following an injunction by [illegible] two men, who claimed damages after persuading [illegible] judge that [illegible] bank had a case [illegible].

The [illegible] involving Mr Dordei follows Italian [illegible] reports that [illegible] dealings [illegible] nessmen involved arms shipments, rather [illegible] food aid [illegible] Palestinian refugees [illegible] claimed.

Producing [illegible] of documents, [illegible] stantial, Mr Dordei [illegible] alleged that the bank [illegible] willing accomplice [illegible] a plot [illegible] transaction.

Although Mr Dordei says he will [illegible] prove the claims in court, Lloyds Bank, which [illegible] had the sequestration [illegible] overturned, has rejected his [illegible] as baseless.

Third top executive resigns from over-extended German bank

By Katharine Campbell in Frankfurt

MR KARL Fehrenbach, the 52-year-old vice-chairman of Deutsche Genossenschaftsbank, the struggling central bank for Germany's co-opera[illegible] institutions, is to quit at the end of this month.

With his [illegible]eparture, [illegible] three top executives at DG Bank have resigned, or announced their resignation, in less than a [illegible] illustrating the plight of the over-extended bank, which had grown to become Germany's fourth largest.

[illegible] Helmut Guthardt, the chairman, served notice in November that he would [illegible] after the shareholders' meeting this June. Mr Guthardt had [illegible] unable to [illegible] the [illegible] reputation after [illegible] dispute last February about DM6bn ($3.92bn) of bond trans[illegible] with [illegible] French banks that saw four DG Bank bond traders arrested and [illegible] criminal investigation initi[illegible] time, [illegible] the then two vice-chairmen, Mr Karl-Herbert Schneider-Gädicke, who was in charge of the securities business, resigned.

Mr Fehrenbach explained yesterday that he [illegible] he no longer retained the trust of the head of the supervisory board, and that he wanted to make a contribution to the "long overdue" decision concerning the appointment of the new chairman.

Mr Wolfgang Grüger, chairman of the supervisory board, is understood to favour an outside candidate – Mr Egon Kremer, the 64-year-old head of the Badische Beamtenbank, a large German co-operative bank in Karlsruhe.

However, his age would dictate that he could be only an interim solution. Under Mr Guthardt and his team, DG Bank has built up [illegible] balance sheet of about DM200bn.

Most recently, the bank announced it [illegible] be forced [illegible] make abnormally high writedowns on its unwieldy DM20bn fixed [illegible] portfolio, [illegible] rising interest rates have [illegible] considerable toll.

Hoogovens lowers profit forecast

By Ronald van de Krol in Amsterdam

HOOGOVENS, [illegible] Dutch steel [illegible] aluminium group, said that 1990 profit would be slightly lower than [illegible] and it predicted that [illegible] would [illegible] be [illegible] difficult year involving the [illegible] of [illegible].

The company's [illegible] fell sharply on [illegible], tumbling [illegible] per cent to Fl 44.80 on the Amsterdam bourse.

In [illegible] new [illegible] staff, the company [illegible] net profit might be slightly [illegible] than [illegible] Fl 300m predicted earlier, [illegible] mainly to operational [illegible] at its steel blast furnaces in recent months.

It [illegible] no firm figures but [illegible] turnover in 1990 had fallen 8 per cent compared with [illegible], when group [illegible] had totalled Fl 9bn [illegible]. In [illegible] was a particularly good [illegible] for Hoogovens, the [illegible] posted net profit of Fl 406m [illegible] *normal business operations*.

Mr O.H. van Royen, Hoogovens' chairman, said it was difficult [illegible] 1991 [illegible] uncertain[illegible] such [illegible] the Gulf crisis. [illegible] "Developments in recent months, relating both [illegible] volume and to continuing [illegible] prices, entail a [illegible] of considerably lower [illegible]."

[illegible] Hoogovens has said it will sign a co-operation [illegible] with [illegible] Vychodoslovenske [illegible] (VSZ) to provide [illegible] Czech company with technical know-how.

The agreement is designed to give Hoogovens an entry into the eastern European market while increasing the competitiveness of VSZ in the international market.

SEP profits up at FFr140m

By William Dawkins

SOCIETE Européene [illegible] (SEP), the French state-controlled maker [illegible] rocket engines, yesterday reported a rise in [illegible] profits and sales for 1990, but warned that European defence orders would fall slightly this year.

SEP, which is [illegible] owned by Snecma, the [illegible]-owned aircraft engine producer, recorded consolidated [illegible] of [illegible] year, up [illegible] FFr4.44bn in 1989, on which [illegible] rose [illegible] FFr140m from FFr103.7m. This included a FFr40m one-off gain.

As in the past, civil orders accounted for three quarters of the [illegible], with the remaining quarter going to military customers, said Mr Jean Sollier, chairman.

The changes in [illegible] Europe [illegible] likely that [illegible] group's military [illegible] would "diminish a little bit," he said.

However, he added, overall group [illegible] and profits [illegible] would [illegible] comparable [illegible] or slightly [illegible] 1990.

The group's top research priorities included engines [illegible] next generation of supersonic aircraft and [illegible] protection for Hermès, [illegible] European [illegible] aircraft.

Actron to join Tokai in venture

ACTRON AG of Switzerland and Tokai Electronics of Japan are establishing a joint venture to build a factory in Hokkaido, Japan, [illegible] production of electronic [illegible]-adhesive labels to protect merchandise against shoplifting, writes **William Dullforce in Geneva.**

Actron, [illegible] subsidiary of the ADT Group of New Jersey, US, will take [illegible] one-third share in Tokai Electronics, which [illegible] wholly owned subsidiary of Tokai Metals, Japan's largest maker of aluminium foil.

The [illegible] company is Europe's largest manufacturer of electronic shoplifting control systems with annual sales of some SFr70m ($54m).

Holding vehicle set up at Paribas

By William Dawkins in Paris

THREE large institutional shareholders in Paribas, the French investment banking group, have agreed to pool most of their shares in a new holding vehicle.

Axa, the insurance group, the Pargesa financial holding company and Navigation Mixte, the champagne-to-insurance conglomerate, which last year struck a peace treaty with Paribas, have placed 18 per cent of the bank's shares in the group. The move allows them to consolidate part of Paribas' profits in their accounts, rather than merely drawing dividends as previously.

It crystallises a single large block of long-term shareholders friendly to the management team established at Paribas in the wake of its failed bid in 1989 for Navigation Mixte.

The three institutions hold 24.3 per cent between them, rather more than they are pooling, but have kept the balance on their own books to be available for dealing in the market. Axa owns nearly 5 per cent of Paribas, while Navigation Mixte [illegible] 10.3 per [illegible] Parfinance, Pargesa's French financial [illegible] subsidiary, [illegible] just [illegible] cent of [illegible].

[illegible] Moulinex, [illegible] French maker [illegible] kitchen equipment, yesterday [illegible] it had [illegible]pleted [illegible] Krups, [illegible] family-owned [illegible]petitor, becoming one of Europe's main producers [illegible] small household appliances.

Negotiations with Krups opened last year, but were delayed by a dispute in Moulinex over whether the indebted French group could afford a deal of this size.

The companies did not dis[illegible] price for [illegible] of Krups, which employs 3,000 people and last [illegible] had [illegible] turnover of more than DM540m ($350.6m). Of Krups' total sales, 40 per cent were in Germany and 30 per cent in the US.

This will roughly double Moulinex's FFr900m ($173m) sales in Germany, give the French company [illegible] first production base there and [illegible] US market.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Japanese banks gather to back a maverick

Robert Thomson on the help offered to troubled property developer EIE International

PAST associations by EIE International, the Japanese property developer, with boom-bust Australian entrepreneurs, and [redacted] feeling in Tokyo that the passing of an era of financial excess is about to be marked by the collapse of a well known company, [redacted] made EIE a target of the finger-pointers.

EIE's image has not been helped by a property portfolio marked by the bizarre, and by a self-confessed hangover from previous buying binges. Apart from mainstream hotel and office buildings in the US, Australia, the UK [redacted] Asia, it has [redacted] half share in Bond University, [redacted] Queensland establishment founded by the Australian entrepreneur Mr [redacted] Bond, and a floating hotel moored in the Saigon river which runs [redacted] Ho Chi Minh City, Vietnam.

But instead of being a salutary symbol of the dangers of [redacted] the privately-held EIE has become a case study of Japanese [redacted] willingness to back troubled clients and, with [redacted] senior and middle management to oversee [redacted] restructuring.

The support has [redacted] EIE's reputation as [redacted] corporate "outsider" with [redacted] maverick chief executive, Mr Harunori Takahashi, who built [redacted] property empire on the [redacted] import [redacted]pany acquired in 1977. [redacted] love of [redacted] deal made him [redacted] natural partner of [redacted] Australian entrepreneurial group, although unlike several [redacted] his past associates, Mr Takahashi still has a long line of credit.

EIE International's main bank, the Long-Term [redacted] Bank of Japan, is to send specialists [redacted] EIE [redacted] assess pros[redacted] for [redacted] sale [redacted] properties, [redacted] will provide funds [redacted] repayment problems.

Harunori Takahashi (left), chief executive of EIE Developments, which has a half share in the university in Queensland founded by Alan Bond (right)

The bank, which estimates [redacted] exposure at [redacted] (US$732m) of the Y500bn [redacted] EIE's outstanding debts, insisted [redacted] the developer [redacted] "not thought of [redacted] problem company", although it was facing [redacted] period.

"[redacted] think their [redacted] busi[redacted] development [redacted] southern Pacific [redacted] strong. The difficulty [redacted] higher [redacted] problems for their cash flow. We think they [redacted]ome this," the bank [redacted]

EIE admits there are problems, [redacted] not like the comparisons with Mr [redacted] Bond, nor with Itoman, the financially-troubled Japanese trading house which is under reconstruction by the [redacted] Bank, with [redacted]mated at Y1,300bn and a heavy property [redacted] softening Japanese market.

Mr Bungo Ishizaki, EIE International's [redacted] adviser, said: "I would be kidding if I pretended we don't [redacted] problems," but [redacted] Itoman [redacted] was "very unfair" [redacted] the trading house's [redacted] "vastly different scale".

The causes are not vastly different. Both companies used appreciating Japanese [redacted] ambitious investments, which, in EIE's [redacted] generally in foreign markets, while Itoman's problems are [redacted]

Mr Ishizaki said that [redacted]bling of Japanese interest rates [redacted] the past year had [redacted] problem, while [redacted] international economic downturn had [redacted] valu[redacted] EIE's bankers admit that they were probably [redacted] ready [redacted] for projects [redacted] "outside the core business".

The company's 50 per [redacted] in Bond University, [redacted]mated [redacted] A$120m [redacted], was [redacted] "white elephant" by Mr Ishizaki, [redacted] said his company was now covering [redacted] of the university's expenses.

He [redacted] complained about "unfairly" high capital gains taxes in Japan and the difficul[redacted] of winning development approval [redacted] project in London: "[redacted] elephant. The [redacted] you have [redacted] through to get building approval is unreal."

EIE's worth [redacted] in [redacted] impressive collection [redacted] Regent and four Hyatt hotels in Asia and the Pacific, with [redacted] buildings and golf [redacted] in the US, UK, [redacted] Zealand, Hong Kong and Thailand. Mr Ishizaki estimated that the company owned "just on [redacted] buildings," worth, [redacted] reckoned, Y700bn.

In late November, EIE Development (International), [redacted] Hong Kong-listed subsidiary of Tokyo-based EIE, announced that [redacted] had sold [redacted] storeys in one of the twin towers [redacted] the Bond Centre in Hong Kong for HK$1.97bn (US$252m). The sale could be the first of many to trim the group to a core of hotel an[redacted] office holdings in the south Pacific.

The Long-Term Credit Bank [redacted]id that property specialists from the bank would help determine which assets should [redacted] sold to improve prospects [redacted]r "core" projects.

"We believe that these south Pacific projects are very good. The problem is that it takes a long term to generate the cash flow, so we will support and stimulate their business," the bank said.

Mr Ishizaki said that there were certain "misfit" properties in Europe and the US, and "these are the ones we would like to sell". He said the Pacific [redacted] properties "fit neatly" together, but some [redacted] others were [redacted] "bit off the wall".

LTCB and other leading lenders, including Mitsui Trust and Banking and the Nippon Credit Bank, [redacted] senior offi[redacted] just more than [redacted] Mr Ishizaki [redacted] these bank officials [redacted] more influence as they had [redacted]enced.

[redacted] said that EIE naturally found friendships [redacted] Austral[redacted] entrepreneurs, including Mr Bruce Judge of Ariadne, Mr Larry Adler [redacted] Mr Bond, [redacted] Japanese companies often [redacted] difficulty in [redacted] acceptance from the traditional élite of commerce.

The 201-room [redacted] hotel, purchased in 1988 through Barrier Reef Holdings, [redacted] quoted company, was a failure when moored [redacted] Australia, but [redacted] apparently [redacted] success in its new home on the Saigon River.

"The floating hotel [redacted] doing very [redacted] In Vietnam, [redacted] only [redacted] in town," Mr Ishizaki said.

Treasuries bounce briefly on hopes for Fed easing

By Karen Zagor in New York and Simon London in London

US TREASURY bonds ended the day on a mixed note after receiving an unexpected boost yesterday morning when the Federal Reserve failed to operate in the open market while Fed funds were trading below the Fed's perceived target of 7 per cent.

This instantly triggered speculation that the Fed had eased monetary policy.

The long end of the market had opened on [redacted] weak note, as traders started selling ahead of the results of the Treasury's afternoon auction of $6.95bn in [redacted] and 40-year Refcorp bonds.

Fear of war in the Gulf, new supply worries and the weak US economy remained depressing themes for the long end of [redacted] yield curve.

When the Fed did not intervene, with Fed funds trading at [redacted] per cent at intervention time, [redacted] long bond rallied briefly, climbing about ⅝ point before falling [redacted] to end [redacted] down [redacted] at 104¼, yielding 8.35 per cent.

GOVERNMENT [redacted]

But shorter-dated maturities held up better, gaining about ⅛ point in late trading. At the Refcorp auction, [redacted] average yield on the 30-year bond was 8.60 [redacted] cent, while the [redacted] year [redacted] had [redacted] yield [redacted] per [redacted]

■GERMAN government bonds moved higher yesterday against a background of positive economic data and professional buying following earlier falls.

The latest 10-year 9 per cent bund closed the day at 100.15 for a yield of 8.97 per cent, against 8.99 per cent on Monday. In the futures market, the March bund future [redacted] at 82.11, [redacted] 27 pfennigs from the opening level.

■UK GOVERNMENT bonds moved lower yesterday, giving up many [redacted] Monday's gains [redacted] background [redacted] political uncertainty [redacted] mostly professional trading.

The long-maturity benchmark 11¾ per cent gilt maturing 2003/2007 closed ½ point down on [redacted] 107⅞ for a yield of 10.62 per cent. In the futures market, the March gilt futures contract closed at 89.24, after opening [redacted] 90.03.

Trading [redacted] dominated by dealers, with firms keen not to hold long or short trading positions before further developments take place in the Gulf.

However, there is a discernible pattern of money moving down the curve into shorter maturity bonds. Bonds fell by about ½ point at the eight-year maturity and posted marginal gains at the five-year maturity. Analysts suggest this reflects a "flight to quality" in the face of the Gulf crisis.

■JAPANESE government bonds continued downward yesterday as the prospects of a peaceful resolution to the Gulf crisis seemed to recede.

At the close of trade in Tokyo, the benchmark 119 government bond issue closed on a yield of 6.98 per cent, against 6.975 per cent on Monday.

Analysts suggest that there is support for bond prices at the 7 per cent yield level and that prices are unlikely to fall much further unless the Gulf crisis escalates into war.

Today the Bank of Japan is expected to proceed with a planned auction of 10-year government stock. Dealers expect an auction of about Y700bn, with a 6.6 per cent coupon.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-07	-	11.33	11.54	11.13
		9.000	03/00	90-27	-5/32	10.58	10.84	10.53
		9.000	10/08	90-13	-13/32	10.17	10.36	10.17
US TREASURY *		8.500	11/00	102-09	-06/32	8.15	[redacted]	8.05
		8.750	08/20	104-03	-20/32	8.37	8.25	8.22
JAPAN	No 119	4.800	06/99	[redacted]	[redacted]	7.00	7.04	7.18
	No 129	6.400	03/00	[redacted]	-0.196	6.68	6.69	6.89
GERMANY		9.000	10/00	100.0700	+0.120	8.98	8.99	8.80
FRANCE	BTAN	9.000	11/95	96.1835	-0.141	10.29	10.23	[redacted]
	OAT	8.500	03/00	91.0800	-0.160	10.01	9.98	
[redacted] *		10.600	03/01	[redacted].5000	-1.050	10.27	10.27	10.23
NETHERLANDS		9.250	11/00	99.9700	-0.090	9.25	9.21	9.08
AUSTRALIA		13.000	07/00	[redacted]	[redacted]	12.24	12.07	[redacted]
BELGIUM		10.000	08/00	100.1500	-0.050	9.98	9.81	9.86

London closing, *New York closing. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

Fed ambiguous on easing move

By Karen Zagor in [redacted] York

THE Federal Reserve sent an ambiguous message to US markets yesterday morning when it failed to support the Fed funds rate by draining reserves from the banking system when the [redacted] rate was trading at 6¾ per cent, [redacted] the perceived 7 per cent [redacted] This prompted speculation that [redacted] policy had eased.

The Fed funds rate has been unusually unstable in the last 10 sessions, trading in a range of about 8 per cent to below 1 per cent, and closing yesterday at 3 per cent after opening at 6¾ per cent. Although some volatility is expected at the start of the year, the market had expected the key rate to stabilise this [redacted]

However, the Federal Reserve's recent actions have baffled traders. The Fed's operations in the open market [redacted] week contributed to the [redacted] drop in the rate on Friday.

Although many traders seemed convinced that the Fed's lack of intervention yesterday was a clear signal of an easing, economists were less sure. Mr Robert Brusca, chief economist at Nikko Securities, said the Fed's lack of intervention was "a little surprising but the Fed funds are still close to the Fed's 7 per cent target". Mr Lazlo Birinyi, a markets strategist at Birinyi Associates, said it was too early to say the Fed had cut its target for funds.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 8

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

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County NatWest to shed staff in Tokyo

By Stefan Wagstyl in Tokyo

COUNTY NatWest, the investment banking arm of National Westminster Bank, is planning to shed staff in its loss-making Tokyo office through a voluntary redundancy and retirement scheme.

The company, which employs 160 people in Japan, [redacted] has no target in mind for the [redacted] of staff it intends [redacted] shed. But the proposed reduction could be substantial given that County is also planning to give up about half the office space it occ[redacted] in Tokyo.

The move could be followed by [redacted] at other foreign brokers in Tokyo since all are suffering from the impact of last year's plunge in the Japanese stock market. County's planned reductions are the most significant since Citicorp [redacted] Security Pacific, the US banks, cut large parts of their Tokyo operations in the wake of the October 1987 global equities crash.

Mr Tim Ferguson, head [redacted] County's worldwide securities business, said the move was a response to difficult conditions in the securities industry. "We have lost a lot of money in Tokyo. We don't believe that the market is going to improve [redacted] the short term. Even if the index recovers, volumes are unlikely to increase."

County's pre-tax losses in Tokyo [redacted]elled last year [redacted] around £10m ($19m), as the plunge in prices and volumes in the [redacted] stock market took its toll. [redacted] compounded by the [redacted] in March of a sales team to [redacted] rival broker. National Westminster has yet to publish results for 1990.

County's problems in Tokyo are concentrated in the equities operation, which accounts [redacted] some 125 [redacted] the [redacted] The [redacted] in corporate finance and in other [redacted] markets activities.

Mr Ferguson, [redacted] branch manager in Tokyo until [redacted] years [redacted] said County remained committed to its seat on the Tokyo Stock Exchange, which was acquired in 1988 after a protracted campaign.

County intends to focus its equity [redacted] on [redacted] products, such [redacted] packages including futures, options and warrants. The problem with this approach is that several other foreign brokers in Tokyo are moving in the same direction, particularly [redacted] large US investment banks, which have already developed a [redacted]ubstantial business in [redacted]

Hong Leon[redacted] rises 38%

HONG Leong Credit, [redacted] financial services arm of Malaysia's sprawling Hong Leong group, posted a 38 per cent rise in pre-tax profit to M$35.2m (US$13m) in the 12 months [redacted] June 1990 from M$25.4m a year earlier, drawing on the nation's expanding economy, AP-DJ reports from Kuala Lumpur.

Revenue jumped [redacted] cent to M$214.3m from M$148.4m, while net profits [redacted] M$24.5m showed [redacted] 35 per cent gain from the previous year's M$18.1m. After minority interests and extraordinary items, [redacted]butable profits jumped 44 per cent to M$25.1m from M$17.4m.

Hong Leong Credit, with subsidiaries involved in leas[redacted] insurance, financing and property development, accounts for most of the financial services provided in Malaysia by the Hong Leong group.

The family-controlled listed conglomerate is split into Singaporean [redacted] Malaysian branches, whose business holdings extend throughout [redacted] east Asia, including Hong Kong.

SIA forecasts [redacted] difficult year

SINGAPORE Airlines (SIA) faces a difficult year, according [redacted] Mr J.Y. Pillay, chairman, Reuter reports from Singapore.

"Our belts, already taut, will be tightened another notch," he said in the company newsletter.

However, SIA would not reduce capacity, shrink its network or cut staff levels in spite of problems caused by a slowdown in worldwide economic growth and inflation.

He said that the airline's financial performance for the year [redacted] March 1991 would [redacted] below last year's record profit of S$2bn (US$1.13bn).

Mr Pillay said SIA would continue with its aim of achieving an average 8 per cent to 10 per cent annual capacity growth, including cargo, this decade.

It would [redacted] a 10-year S$20bn investment plan.

The Power of Ideas: M&A 1990.

In 1990, more than 145 clients chose CS First Boston to help them realize their M&A objectives. We assisted these clients in 186 transactions in 13 separate business categories with an aggregate value of over $80 billion worldwide. These accomplishments are particularly meaningful in the context of a global business environment that was as demanding as any in recent history.

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CS First Boston Client	Description of Transaction	Approximate Value of Transaction
Building Products		
Dallas Corporation	*Sale of Company to Bessemer Securities Corporation*	$195,000,000
Dundee Cement Company, a subsidiary of HOLNAM INC	Merger for Cash with Northwestern States Portland Cement Company	42,000,000
Fidelco Capital Group	Divestiture of Modernfold, Inc. to Maiden Lane Associates, Ltd.	Not Disclosed
Sikes Corporation	Sale of Company to Premark International, Inc.	201,000,000
Chemicals & Allied Products		
The Dexter Corporation	Divestiture of PVC Compounding Business to Evode Group plc	Not Disclosed
Ecolab, Inc.	Joint Venture and Acquisition of Cleaning and Sanitizing Businesses with Henkel KGaA (Pending)	Not Disclosed
Ethyl Corporation	Divestiture of Hardwicke Chemical Company to MTM Plc	$112,000,000
The General Electric Company plc and Siemens AG	Divestiture of Birkbys Plastics LTD to Marubeni Corporation	Not Disclosed
Hoechst Celanese Corporation	Sale of 24.8% Interest in Osmonics, Inc. to Osmonics, Inc.	Not Disclosed
Huntington Laboratories, Inc.	Sale of Company to Private Investor Group	Not Disclosed
Quantum Chemical Corporation	Divestiture of Polyalphaolefins Business to Ethyl Corporation	48,000,000
Roche Holding AG	Divestiture of Plant Protection Operations of The Maag Group to Ciba-Geigy (Pending)	Not Disclosed
Consumer Products & Services		
AB Volvo and Procordia AB	Advice to AB Volvo on Merger of Procordia AB, Pharmacia AB, Provendor AB, Dealer/Manager for AB Volvo and Procordia AB in U.S. Offers for Pharmacia AB	$6,200,000,000
The Boots Company PLC	Divestiture of Ward White U.S. Automotive Group to WSR Acquisition Corporation	Not Disclosed
Canadian Pacific Hotels Corporation	Acquisition of 80% Interest in MetHotels Inc. of Phoenix from Metropolitan Life Insurance Company of New York (Pending)	Not Disclosed
Chartwell Associates	Proxy Contest for Avon Products, Inc.	1,919,000,000
Esselte AB	Merger for Cash with Esselte Business Systems Inc.	215,000,000
Fedders Corporation	Acquisition of The Emerson Quiet Kool Unit from Jepson Corporation (Pending)	56,000,000
Kay Jewelers, Inc.	Merger to Preferred Stock with Ratners Group plc	451,000,000
Lion Nathan Limited	Divestiture of Woolworths New Zealand Limited to *Dairy Farm International Holdings Limited*	165,000,000
MacAndrews & Forbes Group Inc.	Divestiture of Crosman Products Inc. to Worldwide Sports & Recreation Inc. (Pending)	Not Disclosed
Mary Kay Corporation	Advice with Respect to Recapitalization	390,000,000
TravCorps Corporation	Sale of Company to Chemical Venture Partners and Management	Not Disclosed
Financial Institutions		
Banco General de Negocios, S.A.	Privatization of Banco Comercial, S.A., Montevideo, Uraguay	Not Disclosed
Burton Group, plc	Divestiture of Burton Group Financial Services, plc to General Electric Capital Corporation	$1,138,000,000
Central Co-operative Bank	Merger for Cash with Somerset Bankshares Inc. (Pending)	38,000,000
CIS Corporation	Divestiture of Canadian Operations to Manufacturer Finance Programs Ltd.	18,000,000
Citadel Holding Corporation	Acquisition of Westwood Savings and Loan Association from Resolution Trust Corporation	Not Disclosed
Citadel Holding Corporation	Acquisition of Investment Federal Savings and Loan Association from Resolution Trust Corporation	Not Disclosed
Citizens Financial Group, Inc.	Acquisition of Bank of New England-Old Colony, N.A. from Bank of New England Corporation (Pending)	Not Disclosed
Comerica Incorporated	Merger for Stock with Plaza Commerce Bancorp (Pending)	117,000,000
CS First Boston, Inc.	*Merger for Cash with Jarden Morgan NZ Ltd. (Pending)*	Not Disclosed
CS Holding	Acquisition of Clariden Bank from CS First Boston, Inc.	239,000,000
C&S/Sovran Financial Corporation	Stock Swap Merger with The Citizens and Southern Corporation and Sovran Financial Corporation	4,700,000,000
Empire Federal Savings of America of Buffalo	Sale of Substantially all of the Auto Installment Loan Assets to General Electric Capital Corporation	Not Disclosed
First Security Corporation	Merger for Cash with Twin Falls Bank & Trust Company	Not Disclosed
First Security Corporation	Merger for Common Stock with United Savings Bank of Salem, Oregon	33,000,000
Jarden Morgan Limited	Divestiture of North American and United Kingdom Retail Foreign Exchange Businesses of *Deak International Inc. to The Thomas Cook Group Limited*	12,000,000

CS FIRST BOSTON

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1990 M&A Results (Continued)

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
MCorp	Divestiture of MVestment to Ameritrust Corporation	120,000,000
MCorp	Divestiture of MBank Brownsville, El Paso, and Corpus Christi to Private Investor Groups (Pending)	Not Disclosed
Nokia Oy	Acquisition of a Majority Interest in NKF Holding N.V.	100,000,000
Norwest Corporation	Merger with First Minnesota Savings Bank	Not Disclosed
The Planters Corporation	Stock Swap Merger with Peoples Bancorporation (N.C.) and Centura Banks, Inc.	201,000,000
Rochester Community Savings Bank	Merger for Cash with Shadow Lawn Savings Bank	Not Disclosed
Security Pacific Corporation	Sale of 5% Equity Interest in Consumer and Commercial Services Groups of Security Pacific Financial Services Systems, Inc. to Mitsui Bank Ltd.	85,000,000
Society Corporation	Merger for Common Stock with Trustcorp, Inc.	503,000,000
Society Corporation	Divestiture of Trustcorp Bank Columbus, N.A. to First of America Bank Corporation	Not Disclosed
Society Corporation	Divestiture of Trustcorp Banks, Hartford City and Dunkirk IN. to First Financial Bancorp	Not Disclosed
Society Corporation	Divestiture of Trustcorp Bank Huntington, N.A. to Fort Wayne National Corporation (Pending)	Not Disclosed
United Banks of Colorado, Inc.	Merger for Stock with Norwest Corporation (Pending)	430,000,000

Food & Beverage

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
Borden Inc.	Divestiture of U.S. Butter Group to Societe de Diffusion Internationale Agro-Alimentaire	Not Disclosed
Celbasa-ATO, S.A.	Joint Venture involving Equity Participants and Union Laitiere Normande	Not Disclosed
Lion Nathan Limited	Acquisition of 50% Interest in National Brewing Holdings Limited	$606,000,000
Magnum Corporation Limited	Acquisition of Stakeholding in Orlando-Wyndham Estate Pernod Ricard Australian Wine Group	Not Disclosed
MorningStar Foods, Inc.	Divestiture of Texas Dairy Operations to Southern Foods, Inc.	Not Disclosed
MorningStar Foods, Inc.	Divestiture of Adohr Farms to Investor Group	Not Disclosed
Perrier S.A.	Divestiture of Soft Drinks Division to Cadbury Schweppes PLC	217,000,000
Sealaska Corporation	Divestiture of Ocean Beauty Seafoods, Inc. to Ika Muda Group	Not Disclosed
Suntory Limited	Acquisition of Interest in Allied-Lyons PLC, Increasing Ownership to 5%	163,000,000
Whitman Corporation	Spinoff of Pet Incorporated to Shareholders (Pending)	Not Disclosed

Health Care

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
American Medical International, Inc.	Divestiture of Hospital Systems International Limited to Arvoly AG	$ 15,000,000
American Medical International, Inc.	Divestiture of Community Hospital of Santa Cruz to Catholic Healthcare West	Not Disclosed
American Medical International, Inc.	Sale of 65% Interest in AMI Healthcare Group plc to Compagnie Générale des Eaux	271,000,000
American Medical International, Inc.	Divestiture of 4 Acute Care Hospitals in Switzerland to Klinik Hirslanden A.G.	168,000,000
American Medical International, Inc.	Divestiture of 2 Acute Care Hospitals in Spain to Previasa S.A. de Seguros y Reaseguros	22,000,000
American Medical International, Inc.	Divestiture of [illegible] Acute Care Hospitals in Denver, Colorado to PSL Healthcare System, Inc. (Pending)	Not Disclosed
American Medical International, Inc.	Divestiture of 2 Psychiatric Hospitals in Florida to American Health Properties, Inc.	Not Disclosed
American Medical International, Inc.	Divestiture of 2 Psychiatric Hospitals in Massachusetts to American Health Properties, Inc. and Westwood-Pembroke Corporation	Not Disclosed
American Medical International, Inc.	Divestiture of Doctor's Hospital, Inc., Prince George's County, Maryland to Doctor's Hospital, Inc.	Not Disclosed
COBE Laboratories, Inc.	Sale of Company to Gambro Aktiebolag	280,000,000
Committee of Dalkon Shield Claimants	Advisors to Claimants in American Home Products Corporation's Acquisition of A.H. Robins Company, Inc.	3,300,000,000
Diasonics, Inc.	Sale of Magnetic Resonance Imaging Division to Toshiba American Medical Systems, Inc.	Not Disclosed
E. I. du Pont de Nemours and Company	Joint Venture with Merck & Co., Inc.	Not Disclosed
Evans Healthcare Limited	Sale of Company to Medirace PLC	139,000,000
National Intergroup Inc.	Proxy Contest by Centaur Partners, L.P.	345,000,000
PCS, Inc.	Sale of remaining [illegible] Interest to McKesson Corporation	50,000,000
Rorer Group Inc.	Multi-Step Combination with Rhône-Poulenc S.A.	3,400,000,000

Industrial & Other

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
ABB Asea Brown Boveri Ltd	Cash Tender Offer for Combustion Engineering, Inc.	$1,600,000,000
ABB Asea Brown Boveri Ltd	Divestiture of Georgia Kaolin Company, Inc. to ECC Group PLC (Pending)	520,000,000
American NuKEM Corporation	Cash Tender Offer for ENSR Corporation	120,000,000
American Optical Corporation	Divestiture of the Assets of AO Safety to Cabot Corporation	Not Disclosed
American Tape Company	Sale of Company to STC Corporation	Not Disclosed
Australian Holdings Limited	Acquisition of Mutual Pacific Corporation Limited by Management	Not Disclosed
Chrysler Corporation	Divestiture of Gulfstream Aerospace Corporation to Forstmann Little & Co. and Allen E. Paulson	825,000,000
CIC Canadian Investment Capital Limited	Divestiture of Fabrene Inc. to The InterTech Group Inc.	Not Disclosed
Clark Equipment Company	Merger for Cash with Hurth Axle S.p.a.	Not Disclosed
Copperweld Corporation	Merger for Cash with Imetal S.A.	180,000,000
Easco Hand Tools, Inc.	Merger for Common Stock with Danaher Corporation	125,000,000
Farley Inc.	Divestiture of Doehler-Jarvis Unit to ICM/DJ L.P.	140,000,000
Fletcher Challenge Limited	Acquisition of Minority Interest from Shareholders	Not Disclosed
Ford Motor Company	Divestiture of Ford New Holland, Inc. to Fiat S.p.A. (Pending)	Not Disclosed
C. Itoh & Co. Ltd.	Acquisition of 5% Interest in Klockner-Werke AG and Formation of Joint Venture	Not Disclosed
HMA Investments, Inc.	Recapitalization of Schuylkill Metals Corporation by Schuylkill Holdings, Inc. and Citicorp Venture Capital Ltd.	70,000,000
Jarden Morgan Limited	Divestiture of Australian and New Zealand Precious Metal Refineries of Deak International Inc. to Johnson Matthey PLC	9,000,000
Kelso & Co.	Cash Tender Offer for Earle M. Jorgensen Company	287,000,000
Lehel Hütögépgyár Rt	Privatization and sale by Hungarian State Property Agency to AB Electrolux (Pending)	Not Disclosed
Mitsubishi Estate Company, Ltd.	Acquisition of 51% Interest in Rockefeller Group Inc.	846,000,000
PPI Delmonte Fresh Produce BV	Sale of 9 Refrigerated Cargo Vessels to A Consortium of Hafslund Nycomed A/S, Kvaerner A/S and Other In[illegible]	238,000,000
Swiss Air Transport Company Ltd.	Acquisition of 50% Interest in Swissôtel Group from Nestlé S.A.	Not Disclosed

Insurance

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
AmBase Corporation	Divestiture of Home Insurance Company to TVH Acquisition Corporation, an affiliate of Trygg-Hansa AB Group (Pending)	$ 970,000,000
AmBase Corporation	Divestiture of Commonwealth Insurance Company to Fairfax Financial Holdings Limited	49,000,000
American General Corporation	Proxy Contest by Torchmark Corporation	6,369,000,000
Calfed Inc.	Divestiture of Beneficial Standard Life Insurance Company to Conseco, Inc. (Pending)	140,000,000
First Executive Corporation	Advice with Respect to Recapitalization (Pending)	Not Disclosed
I.C.H. Corporation	Divestiture of Marquette National Life Insurance Company and Annuity Assets to Consolidated National Corporation and Robert T. Shaw	66,000,000
Lincoln National Corporation	Divestiture of National Reinsurance Corporation to The Robert M. [illegible] Group Inc.	[illegible],000
Metropolitan Life Insurance Company	Divestiture of Metropolitan Reinsurance Company to Skandia America Corporation	Not Disclosed
The Seibels Bruce Group, Inc.	Divestiture of Gay & Taylor, Inc. to European International Reinsurance Co., Ltd.	35,000,000

Media & Entertainment

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
BMA Corporation	Divestiture of KDVR-TV (Denver, Colorado) to Chase Communications, Inc.	$ 12,000,000
Esselte AB	Divestiture of Publishing Activities to Liber, a Unit of Procordia AB, et al.	130,000,000
Esselte AB	Divestiture of Printing Activities to a Management Buyout Group	11,000,000
Esselte AB	Divestiture of Esselte Bokhandel to Konsumentforeningen Stockholm	26,000,000
GP Group Inc.	Acquisition of The Star from The News Corporation Limited	400,000,000
Outlet Communications, Inc.	Divestiture of 2 Radio and 2 Television Stations to Chase Communications, Inc.	120,000,000
Scripps Howard Broadcasting Company, a subsidiary of The E.W. Scripps Company	Acquisition of Baltimore, MD Television Station WMAR, a unit of Gillett Group, by Scripps Howard Broadcasting Company (Pending)	155,000,000

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First Boston Client	Description of Transaction	Approximate Size of Transaction
TVX Broadcast Group Inc.	Sale of Company to Paramount Communications Inc. (Pending)	75,000,000
WestMarc Communications, Inc.	Merger for Cash and Securities with Tele-Communications, Inc.	240,000,000
Wolters Kluwer nv	Acquisition of J. B. Lippincott Company from The News Corporation Limited	250,000,000

Natural Resources

Asahi Glass Co., Ltd.	Formation of Tenneco Soda Ash Joint Venture with Tenneco Minerals Co., a unit of Tenneco Inc.	100,000,000
Ashland Oil, Inc.	Divestiture of Beaird Industries, Inc. to Trinity Industries, Inc.	Not Disclosed
Baker Hughes Incorporated	Acquisition of Eastman Christensen from Norton Company	550,000,000
Baker Hughes Incorporated	Acquisition of Tracor Instruments Group from Tracor, Inc.	Not Disclosed
Baker Hughes Incorporated	Divestiture of Mining Equipment Group to OY Tampella AB	Not Disclosed
CSX Corporation	Divestiture of CSX Energy Corporation to Enron Gas Processing Company, a subsidiary of Enron Corporation	Not Disclosed
Diversified Energies Inc.	Merger for Common Stock with Arkla Inc.	630,000,000
Elders IXL Limited	Sale of [illegible] Interest in Elders Resources NZFP to Carter Holt Harvey Limited	485,000,000
Freeport McMoran Oil & Gas Company	Sale of 18.5% Interest in Freeport McMoran Inc.	253,000,000
Imperial Oil Limited	Divestiture of Certain Assets of Imperial Oil Limited and McColl-Frontenac to Ultramar	Not Disclosed
Imperial Oil Limited	Divestiture of Certain Assets of Texaco Canada and McColl-Frontenac to Island Petroleum	Not Disclosed
Imperial Oil Limited	Divestiture of Certain Oil and Gas Properties to Various Purchasers	43,000,000
Imperial Oil Limited	Divestiture of Certain Oil and Gas Properties to OMV (Canada) Ltd.	99,000,000
Imperial Oil Limited	Divestiture of Certain Oil and Gas Properties to Home Oil Company Limited	45,000,000
Imperial Oil Limited	Divestiture of Certain Oil and Gas Properties to Chevron Canada Resources Limited	21,000,000
Imperial Oil Limited	Divestiture of Certain Oil and Gas Properties to Lasmo Canada Inc. (Pending)	55,000,000
Longview Fibre	Proxy Contest by Highland Capital Inc.	616,000,000
Mission Resource Partners, L.P.	Divestiture of Substantially all its Oil and Gas Properties to Various Purchasers	Not Disclosed
National Intergroup Inc.	Cash Tender Offer for Permian Partners, L.P.	56,000,000
The Southland Corporation	Sale of Remaining 50% Interest in CITGO Petroleum Corporation to Petroleos de Venezuela, S.A.	675,000,000
Sunshine Mining Company	Divestiture of Substantially all U.S. Oil and Natural Gas Reserves to Sonat, Inc. (Pending)	150,000,000
Svenska Cellulosa Aktiebolaget SCA	Acquisition of 5% Interest in Feldmuehle Nobel	95,000,000
Texas Oil and Gas Corporation, a subsidiary of USX Corporation	Divestiture of Certain Oil and Gas Properties and Related Assets to Bridge Oil, Ltd.	159,000,000
Texas Oil and Gas Corporation, a subsidiary of USX Corporation	Divestiture of Certain Oil and Gas Properties and Related Assets to Sonat, Inc., together with Arco Oil and Gas Company a unit of Atlantic Richfield Company	193,000,000
Triton Europe plc	Divestiture of Dutch Offshore Assets to Clyde Petroleum	Not Disclosed
Triton Europe plc	Divestiture of Selected UK Offshore Assets to Conoco, Inc., a unit of E. I. du Pont de Nemours and Company	61,000,000
USX Corporation	Proxy Contest by Carl Icahn	9,367,000,000

Technology

Analog Devices, Inc.	Acquisition of Precision Monolithics Inc. for Cash and Warrants	61,000,000
Bicoastal Corporation	Divestiture of Link-Miles Limited to Thomson-CSF	100,000,000
Brauerei Eichhof	Cash Tender Offer for International Color Management PLC (Pending)	27,000,000
Brauerei Eichhof	Acquisition of Applied Color Systems Inc.	Not Disclosed
Ciba-Geigy	Divestiture of Gretag Image Systems to Ampro Corp	Not Disclosed
Ciba-Geigy	Divestiture of Gretag Group to Gretag Management	Not Disclosed
Cipher Data Products, Inc.	Sale of Company to Archive Corporation	120,000,000
Coin Systems	Acquisition of Convergent Dealership Group from Unisys Corporation	Not Disclosed
Control Data Corporation	Divestiture of U.S. Operations of Third Party Maintenance Services Business to Bell Atlantic Corporation	Not Disclosed
Hercules Incorporated	Divestiture of Aircraft & Electronics Units to the B. F. Goodrich Company (Pending)	176,000,000
Kollmorgen Corporation	Divestiture of Interest in Additive Products Business to Akzo N.V. and AMP Incorporated	50,000,000
Kollmorgen Corporation	Proxy Contest by Vernitron Corporation	111,000,000
Litton Industries, Inc.	Divestiture of Certain Assets of New Britain Machine to DeVlieg-Bullard, Inc.	Not Disclosed
Litton Industries, Inc.	Divestiture of Potentiometer Division to Vernitron Corporation	Not Disclosed
Lockheed Corporation	Divestiture of CADAM, Inc. to International Business Machines Corporation	Not Disclosed
Lockheed Corporation	Divestiture of Metier to Lucas Engineering and Systems, Ltd.	64,000,000
Lockheed Corporation	Proxy Contest by NL Industries	2,188,000,000
Lotus Development Corporation	Acquisition of Samna Corporation	65,000,000
Prime Computer, Inc.	Sale of Company to DR Holdings Inc., a subsidiary of J. H. Whitney & Co.	1,497,000,000
Schrack Group	Sale of an 80% Interest to Creditanstalt Bankverein and Ericsson (Pending)	Not Disclosed
[illegible] Technologies, Inc.	Joint Venture with The First Boston Corporation and International Business Machines Corporation	Not Disclosed
STC PLC	Divestiture of 80% Interest in ICL Ltd. to Fujitsu Ltd.	1,300,000,000
TRW Inc.	Divestiture of Customer Service Division to Phoenix Technologies Inc. (Pending)	Not Disclosed
Varian Associates Inc.	Divestiture of Several Non-Core Operations to DKP Electronics, Inc. (Pending)	Not Disclosed
Varian Associates Inc.	Divestiture of Solid State Operations to Litton Industries, Inc. (Pending)	Not Disclosed
Varian Associates Inc.	Divestiture of Radio Frequency Subsystems to Signal Technology Corporation (Pending)	Not Disclosed
Wyse Technology Inc.	Sale of Company to Channel International Corporation	268,000,000

Telecommunications & Utilities

Her Majesty the Queen in Right of New Zealand	Sale of Telecom Corporation of New Zealand Limited to American Information Technologies Corporation and Bell Atlantic Corporation	$2,440,000,000
The Kansas Power & Light Company	Merger for Cash and/or Stock with Kansas Gas & Electric Company (Pending)	992,000,000
Pacific Telesis Group	Joint Venture and Related Transactions, with Cellular Communications, Inc.	Not Disclosed
Pinnacle West Capital Corporation	Advice with Respect to Unsolicited Offer by PacificCorp (Withdrawn)	1,820,000,000
Portland General Corporation	Acquisition of up to a 49% Interest in Bonneville Pacific Corporation	34,000,000
Public Service Company of New Hampshire	Merger for Cash and Securities with Northeast Utilities (Pending)	2,370,000,000
SCEcorp	Merger for Common Stock with San Diego Gas & Electric Company (Pending)	2,397,000,000

Transportation

Deutsche Lufthansa AG	Acquisition along with Japan Air Lines and Nissho Iwai Corporation, of 57.5% Interest in DHL Worldwide Express, 12.5% to be acquired initially with an option to acquire a total of 57.5% within 18 months (Pending)	$288,000,000
Iberia Airlines	Acquisition along with Cielos del Sur of 85% Interest in Aerolineas Argentinas (Pending)	550,000,000
Singapore Airlines Ltd.	Sale of 3% Interest to Delta Airlines, Inc.	185,000,000
UAL Corporation	Representation of UAL Corporation's Board of Directors	4,568,000,000

First Ideas, Then Results.

CS FIRST BOSTON

Japanese share issues expected to fall steeply

By Emiko Terazono in Tokyo

PUBLIC share offerings by Japanese corporations [redacted] expected [redacted] fall steeply in the fiscal [redacted] ending March 1991.

[redacted] far [redacted] offerings totalling Y111.2bn have been [redacted] or are planned for the year. This [redacted] with 164 [redacted] Y4,589bn made in 1989.

There [redacted] concrete time-[redacted] the public [redacted] offerings for general companies to resume. An [redacted] Securities said that [redacted] market conditions, an additional load [redacted] cannot be [redacted].

[redacted] April, securities houses suspended equity financing through public offerings, [redacted] vertible [redacted] and [redacted] on concerns [redacted] the [redacted] on [redacted] depressed equity market. While [redacted] financing by war[redacted] and convertible bonds [redacted] in July, public [redacted] offerings [redacted] suspended due [redacted] the [redacted] impact [redacted] stock [redacted].

Exceptions were [redacted] companies which needed [redacted] boost the number of shareholders to become eligible for listing.

Mitsui High-tec, currently [redacted] on [redacted] second [redacted] the Tokyo [redacted] Exchange, plans to offer new shares publicly in January to list on the first section. Seibu Electric and Machinery, a company listed on the Fukuoka [redacted] Exchange, is waiting to offer [redacted] in February.

Allocations of [redacted] to existing shareholders [redacted] 33 cases for [redacted] total of Y242.3bn, compared with 36 cases for Y672.9bn in fiscal [redacted].

● [redacted] Japanese companies raised [redacted] Y10,370bn through equity-linked financing [redacted] home [redacted] in [redacted] sharply down from just less than Y25,000bn in [redacted] ing to Nomura [redacted].

The amount includes [redacted] bond issues worth Y3,820bn and convertible bonds worth Y3,640bn. Other financing, including [redacted] share [redacted] Y2,910bn.

French broker seeks to strengthen its finances

SHAREHOLDERS in Ferri, the French stockbroker, [redacted] studying [redacted] reinforcing [redacted] brokerage's finances, Reuter reports from Paris.

Crédit Foncier [redacted] France, which [redacted] per [redacted] of Ferri, [redacted] was no [redacted] between the move and the fore-[redacted] from Ferri [redacted] profits would fall [redacted] between FFr5m [redacted] FFr10m from [redacted] FFr35m-FFr40m of 1989. Ferri's other leading shareholders are insurer Union des Assurances de Paris with 5 per cent and the Caisse des Dépôts and Consignations with 10 per cent.

Ferri, one of the Paris [redacted] few remaining independent brokers, yesterday [redacted] be [redacted] from [redacted].

Move to buoy KLSE in case of war

MALAYSIA'S National Equity Corp (PNB) [redacted] aside about M$1bn [redacted] shore up some [redacted] companies in wh[redacted] it has an [redacted] should the [redacted] Lumpur [redacted] Exchange (KLSE) crash as a result of [redacted] Gulf war, Reuter reports from Kuala Lumpur.

Mr Khalid Ibrahim, PNB [redacted] said the [redacted] house would [redacted] in if the KLSE composite index dropped by 20 per cent from the 500 point level. The index stands at about 495.

PNB runs the country's largest unit trust, [redacted] National Unit [redacted] (ASN), which has investments worth about [redacted] the KLSE. The [redacted] portfolio comprises [redacted] ments [redacted] about 60 KLSE listed companies.

Captains of industry search for impeccable ratings

Simon London finds that stormy times make top credit ratings increasingly essential to raising finance

Companies [redacted] always had something of [redacted] interdependent relationship with [redacted] rating agenci[redacted].

The agencies [redacted] always lived [redacted] the supply [redacted] companies willing to pay to be rated. But, increasingly, companies [redacted] ratings agencies if they want [redacted] capital.

One [redacted] the financial buzzwords of [redacted] "disintermediation", [redacted] of [redacted] in providing [redacted] corporate [redacted] increasingly [redacted] by [redacted] markets.

[redacted] companies [redacted] reliant on selling paper directly [redacted]. According [redacted] figures [redacted] Salomon Brothers, only [redacted] 25 per [redacted] of US non-financial companies' [redacted] directly [redacted] banks, the [redacted] being [redacted] capital markets.

In [redacted] capital markets, [redacted] acceptable credit rating has [redacted] uisite of borrowing.

[redacted] example, investors in the US [redacted] have always relied on ratings [redacted] judge [redacted] quality of bonds. Commercial [redacted] in the US [redacted] carry [redacted] rating, or [redacted] rated guarantor, under Securities [redacted] Exchange Commissi[redacted].

[redacted] are [redacted]. For example, institu-[redacted] now [redacted] the Eurobond [redacted] and [redacted] restricted by [redacted] to investing in [redacted] rating.

The [redacted] is true of short-term markets. For example, as [redacted] has passed, a growing proportion of outstanding Euro-commercial paper [redacted] rated; now an estimated 95 per cent of paper in this market is rated.

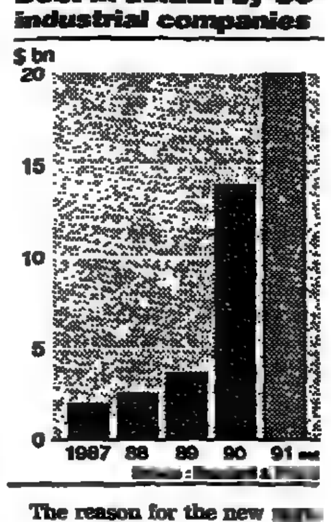
Moreover, far from [redacted] ing [redacted] sophisticated investors [redacted] their own credit research, [redacted] current uncertain economic environment [redacted] on [redacted] ratings.

[redacted] in [redacted] sterling [redacted] 79 per [redacted] the [redacted] rating to [redacted] important [redacted] governing the decision whether to invest. Only 31 per cent said that they would buy commercial paper on the basis of name recognition, compared with 71 per cent three years ago.

Even in the US the influence of credit ratings is expanding. New proposals from the SEC will limit the investments of US money market funds in cor-[redacted] according to the ratings given by [redacted] leading agencies.

The funds will not be able to invest more than 5 per cent of their assets in paper with less [redacted] a top-grade rating. [redacted] companies fear that [redacted] have [redacted] restrictions imposed by the SEC itself is to concentrate too much power in the hands of the ratings agencies.

Debt in default by US industrial companies



Source: [redacted]

The reason for the new [redacted] is [redacted] SEC, [redacted] in [redacted] markets, [redacted] been unnerved by the number of sudden and public defaults over the two years. The commercial paper defaults of Integrated Resources and Mortgage & Realty Trust are oft-cited examples.

Overall, corporate bond defaults are running at record levels, with $14bn of US bonds going [redacted] last [redacted]. This is [redacted] above [redacted] in [redacted] Poor's, [redacted] top [redacted] rating agencies, forecasts [redacted] hit [redacted] staggering [redacted] this [redacted].

The net effect is that investors are increasingly discriminating between higher- and lower-rated paper. According to figures from Salomon Brothers, the yield spread between Baa corporate bonds and triple-A rated bonds rose by 35 basis points last year.

If the recession gets deeper, some fear a market in which companies with anything less than an impeccable credit rating will be blocked out of the market.

Whether because of disintermediation, regulatory interven-[redacted] changed investor behaviour, an acceptable credit rating is becoming more necessary for those raising capital. Just as there has been a shift in the balance of power between lenders and borrowers, so there has been a shift in the balance of power between the rating agencies and the company sector. Reliance on ratings has grown and the cost to a company of being downgraded has increased.

The pre-eminence of credit ratings is not a problem as long as companies, regulators and investors have faith in those ratings.

However, credit ratings are only a matter of judgment, not of fact. Thus, Integrated Resources held an unchanged A-2 rating from Standard & Poor's when it first announced that its lenders would not extend new lines of credit – which made default on $150m of bonds likely – in June 1989.

Another problem is how to account for anomalies in ratings given by different agencies.

Sometimes the anomalies are simply a question of a time lag, where one agency reacts faster [redacted] another. But equally often the difference in ratings reflects a [redacted] in the assessment of a company's complex business.

For example, when Standard & Poor's lowered its rating of Citicorp's debt last year to AA-, Moody's Investors Service maintained its rating a full notch higher. Meanwhile another agency, Duff & Phelps, had held Citicorp at the lower rating since 1983.

Rating agencies are operating in a more complex financial environment than even 10 years ago. Many companies are more difficult to rate in this recession than in the last.

The takeover boom of the late 1980s caused the leading rating agencies to set up a new category of rating, which attempts to assess the "event risk protection" afforded by the covenants of certain bond issues.

The rise of complex derivative financial instruments has complicated and clouded the task of rating the credit-worthiness of some financial institutions.

For example, banks will often raise funds by acting as issuer for one-off structured or "tailored" financial instruments, designed by an intermediary for a small group of investors. Although these instruments are not rated, they represent a cumulative contingent liability which the rating agency must somehow assess.

Similarly, complex financial structures such as variable rate notes or mortgage-backed securities require extensive investigation – and expensive legal consultation – before a rating can be given. The bill is paid by the company issuing the bonds or the financial institution which devised the structure, but it is up to the agency to boil all the fine print down to a single rating.

The agencies have also had to assess the impact of changing relationships between banks and borrowers and the evolution of new styles of lending.

The last six months has seen something of a sea-change in the attitude of banks to corporate lending. Anxious to cut loan losses, banks have been pulling back from uncommitted loan agreements at crucial moments and declining to participate in refinancing and restructuring plans. Companies which were secure six months ago now look vulnerable.

In the light of the collapse of Polly Peck and other companies, one rating agency recently ordered a review of all its corporate clients' banking facilities to assess their "reliability" under stress.

UBS strengthens protection against Gulf war for underwriters

By Tracy Corrigan

UNION Bank of [redacted] a specific [redacted] the [redacted] in [redacted] documentation of [redacted] new issue launched in [redacted] market yesterday, [redacted] tighten [redacted] protection for underwriters in the event of war in the Gulf.

INTERNATIONAL BONDS

The reference was added to the standard "force majeure" clause in the documentation of a SFr50m private placement for the Japanese company Tokyo Tatemono. This clause, in UBS documentation, typically refers to political, economic or monetary crisis [redacted] Switzerland, [redacted] borrower's country or elsewhere. [redacted] end of [redacted] definition, arranger UBS added the words "in particular the Middle East". According to an official at UBS, the addition was made as an "extra precaution" to ensure the issue could be cancelled quickly should war break out.

Many underwriters believe that existing "force majeure" clauses are adequate, but because the wording of most clauses is general rather than specific, there has been some uncertainty about the level of protection provided. The issue was discussed at a meeting of the legal committee of the International Primary Markets Association last month, but no formal position was agreed.

The Tokyo Tatemono deal, launched yesterday by UBS, will be signed on January 16. The "force majeure" protection expires on the closing date, January 23, when the issue goes from the primary to the secondary market. By this stage, all the paper would normally be sold, so underwriters would no longer be exposed.

However, with investors adopting a cautious stance, underwriters are likely to be more than usually careful to participate only in deals which they are confident can be placed within the primary period.

Elsewhere, new issue activity slowed, as many bankers are advising borrowers at least to await the outcome of the meeting between Mr James Baker and Mr Tariq Aziz in Geneva today.

● Unilever is arranging a multi-currency commercial paper programme, with six international banks as dealers. There is no limit on the size of the programme, which was launched by Unilever Sverige, the company's Swedish operation. Funds, for general financing purposes, will be raised in guilders and dollars.

NEW INTERNATIONAL BOND ISSUES

Borrower	[redacted] m.	Coupon %	[redacted]	[redacted]	[redacted]	[redacted] runner
SWISS FRANCS						
Tokyo [redacted] Co.(a)★★◆	50	8¼	100	[redacted]	-	UBS
ENSHU [redacted]★◆	20	8⅝	100	1995	-	[redacted] AG
YEN						
Orix Corp(a)◆	7bn	8⅛	101.60	1995	1⅞/1¼	[redacted]
US DOLLARS						
Dynaworld Bk & Tst.(b)◆	70	10½	98.725	1998	1½/1	[redacted] Int.

★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Amount increased from $50mn. Put option after 3 years at 98.35%.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tuesday January 8 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Jan 7 Index No.	Fri Jan 4 Index No.	Thu Jan 3 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (188)	700.97	-0.6	15.15	6.79	8.05	0.00	705.45	709.96	707.77	955.48
2 Building Materials (25)	958.54	-0.8	15.02	6.37	8.20	0.00	966.29	969.60	959.69	1173.32
3 Contracting, Construction (31)	1087.38	-1.2	16.93	7.23	7.68	0.00	1100.19	1111.51	1117.59	1611.07
4 Electricals (10)	1879.05	-0.3	14.96	7.10	8.18	0.00	1884.90	1902.98	1874.01	2714.30
5 Electronics (26)	1508.84	-0.2	10.61	5.70	12.56	0.00	1511.23	1520.59	1508.26	2044.72
6 Engineering-Aerospace (8)	394.96	-0.3	17.00	6.18	7.05	0.00	396.05	397.24	395.75	492.18
7 Engineering-General (47)	359.75	-0.3	16.24	7.13	7.43	0.00	360.91	362.72	362.30	501.89
8 Metals and Metal Forming (8)	395.35	-0.7	23.11	8.71	5.34	0.00	398.25	399.53	399.06	504.54
9 Motors (13)	280.63	-1.2	17.78	8.57	6.55	0.00	284.06	288.40	289.58	401.37
10 Other Industrial Materials (20)	1197.55	-0.8	14.03	6.78	8.24	0.00	1206.83	1215.75	1218.92	1753.03
21 CONSUMER GROUP (181)	1209.09	-0.4	10.15	4.31	12.23	0.00	1213.90	1219.20	1214.21	1354.92
22 Brewers and Distillers (22)	1577.83	-0.1	10.32	3.94	11.93	0.00	1579.32	1591.30	1575.73	1573.41
25 Food Manufacturing (20)	1029.53	-0.4	11.21	4.82	11.00	0.00	1033.49	1035.62	1028.19	1175.66
26 Food Retailing (16)	2277.00	-0.4	9.90	3.30	13.19	0.00	2285.98	2293.39	2266.45	2340.93
27 Health and Household (20)	2468.36	-0.8	7.30	3.09	16.25	0.00	2488.96	2496.85	2518.70	2754.15
29 Hotels and Leisure (22)	1173.37	-1.2	11.88	5.80	9.93	0.00	1187.71	1204.52	1195.72	1717.22
30 Media (25)	1207.51	-0.4	12.39	5.63	10.16	0.00	1212.80	1215.65	1214.20	0.00
31 Packaging & Paper (11)	512.77	-0.9	10.35	6.70	11.86	0.00	517.40	516.89	517.30	587.20
34 Stores (34)	781.95	+0.3	10.91	4.67	11.94	0.00	779.37	780.94	774.49	835.12
35 Textiles (11)	406.29	+0.1	14.29	8.65	8.98	0.00	405.73	406.15	404.10	546.32
40 OTHER GROUPS (111)	982.87	-0.5	13.03	6.08	9.28	0.00	987.71	997.35	990.20	1224.83
41 Business Services (12)	990.75	-0.6	12.64	5.44	9.42	0.00	996.35	1001.87	999.40	0.00
42 Chemicals (22)	1027.40	-1.0	13.71	6.89	8.61	0.00	1038.06	1036.70	1024.13	1295.68
43 Conglomerates (11)	1221.85	-0.7	14.13	8.34	8.41	0.00	1230.94	1239.12	1232.99	1699.20
44 Transport (15)	1859.67	-0.4	13.94	5.47	8.86	0.00	1867.33	1887.62	1875.33	2417.23
45 Electricity (12)	996.33	+0.1	12.38	7.07	9.75	0.00	994.96	1000.79	997.70	0.00
46 Telephone Networks(3)	1119.30	-0.1	11.95	4.52	10.88	0.00	1120.69	1143.55	1134.19	1249.27
47 Water(10)	2184.90	-0.4	14.34	6.41	7.87	0.00	2193.18	2192.83	2184.42	1983.11
48 Miscellaneous (26)	1535.58	-0.8	12.41	5.95	9.38	0.00	1547.48	1566.10	1552.91	1977.38
49 INDUSTRIAL GROUP (480)	1015.04	-0.5	12.09	5.38	10.13	0.00	1019.89	1026.49	1021.52	1230.49
51 Oil & Gas (20)	2251.90	-0.7	9.93	5.66	13.14	0.00	2267.04	2249.48	2271.99	2407.42
59 500 SHARE INDEX (500)	1116.84	-0.5	11.77	5.42	10.49	0.00	1122.50	1127.40	1124.39	1329.38
61 FINANCIAL GROUP (98)	689.20	-1.2	–	6.91	–	[redacted]	697.84	706.06	700.55	862.37
62 Banks (9)	728.82	-1.4	22.09	7.94	5.93	0.00	739.17	754.40	743.56	901.04
65 Insurance (Life) (7)	1243.13	-1.3	–	6.18	–	0.00	1259.94	1250.45	1239.24	1438.39
66 Insurance (Composite) (6)	594.46	-1.2	–	7.19	–	0.00	601.95	609.52	602.65	723.77
67 Insurance (Brokers) (8)	986.73	-0.7	7.46	6.53	17.55	0.00	993.19	994.30	996.79	1170.26
68 Merchant Banks (7)	347.46	-1.3	5.61	5.91	23.78	0.00	352.16	352.90	352.80	500.10
69 Property (41)	933.58	-1.1	7.29	5.05	18.64	0.00	943.51	956.14	959.85	1236.29
70 Other Financial (20)	248.14	-0.8	11.00	7.29	11.48	0.00	250.14	250.19	251.10	350.52
71 Investment Trusts (69)	973.69	-0.7	–	4.18	–	0.00	980.46	987.68	986.61	1315.31
99 ALL-SHARE INDEX (667)	1011.39	-0.6	–	5.59	–	0.00	1017.62	1023.21	1019.78	1218.02

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 7	Jan 4	Jan 3	Jan 2	Dec 31	Year ago
FT-SE 100 SHARE INDEX♦	2099.9	-13.4	2103.5	2095.5	2113.3	2126.1	2117.8	2128.3	2143.5	2436.3

FIXED INTEREST

PRICE INDICES	Tue Jan 8	Day's change %	Mon Jan 7	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	119.38	+0.17	119.19	1.85	[redacted]
2 5-15 years (32)	128.65	+0.10	128.52	2.52	0.00
3 Over 15 years (8)	135.50	-0.11	135.65	2.22	0.00
4 Irredeemables (6)	149.06	+0.21	148.74	1.56	0.00
5 All stocks (74)	127.93	+0.11	127.80	2.28	0.00
Index-Linked					
6 Up to 5 years (2)	157.72	+0.16	157.47	0.79	0.00
7 Over 5 years (10)	144.31	-0.14	144.51	0.80	0.00
8 All stocks (12)	145.20	-0.11	[redacted]	0.80	0.00
9 Debs & Loans (54)	104.30	+0.03	104.27	2.23	0.00

AVERAGE GROSS REDEMPTION YIELDS		Tue Jan 8	Mon Jan 7	Year ago (approx.)
British Government				
1 Low	5 years	9.99	10.03	10.25
2 Coupons	15 years	10.04	10.04	9.77
3 (0%-7¾%)	25 years	10.08	10.05	9.74
4 Medium	5 years	10.84	10.89	11.25
5 Coupons	15 years	10.43	10.43	10.26
6 (8%-10¾%)	25 years	10.26	10.25	9.90
7 High	5 years	10.96	11.01	11.40
8 Coupons	15 years	10.62	10.61	10.44
9 (11%-)	25 years	10.43	10.40	10.02
10 Irredeemables		10.27	10.29	9.79
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.99	4.06	3.84
12 Inflation rate 5%	Over 5 yrs.	4.16	4.15	3.65
13 Inflation rate 10%	Up to 5 yrs.	2.70	2.77	2.98
14 Inflation rate 10%	Over 5 yrs.	3.99	3.98	3.49
15 Debs &	5 years	12.63	12.63	13.72
16 Loans	15 years	12.37	12.37	12.47
17	25 years	12.13	12.13	12.12

♦Opening in[redacted] 9 am 2097.2; [redacted] am 2098.9; 11 am 2103.1; Noon 2101.1; 1 pm 2100.6; 2 pm 2100.5; 2.30 pm 2101.2; 3 pm 2100.5; 4.10 pm 2100.7; (a) 11 09am (b) 8.42am † Flat yield. Highs and lows record, base dates, values and constituent [redacted] are [redacted] in Saturday [redacted]. A list of constituents is available from the Publishers, The Financial Times, [redacted] One, Southwark [redacted] London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the [redacted] in the [redacted] of [redacted]. These are available by [redacted] FINSTAT, 071-[redacted] 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	53	25	8
Corporations, Dominion and Foreign Bonds	0	5	16
Industrials	190	459	[redacted]
Financial and Properties	58	313	375
Oils	15	29	[redacted]
Plantations	0	3	[redacted]
Mines	[redacted]	16	96
Others	42	[redacted]	[redacted]
Totals	409	926	1,514

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	–	100	96	Aberforth Smaller Co.	97	-1	–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price £	+or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price p	+or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	[illegible]	–	½pm	½pm	Merchant Man. Est. 'A'	½pm	
14	[illegible]	–	1pm	½pm	New London 5p	½pm	+⅛

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. s Dividend and yield exclude special payment. o Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". ‡ Introduction. ‡ Placing price. †† Reintroduction. ♦ Unlisted securities market. * Third Market. ‡ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Jan. 7
- Last Dealings Jan. 18
- Last Declarations April 11
- For settlement April 22

For rate indications see end of London Share Service

Calls in [redacted] (BSR), Aviva Pet., Brunning, Davy, Premier Cons., Standard Chartered and Tuskar Res. Puts in T. Cowie and Lex Service. Put and call in Pentos.

LONDON TRADED OPTIONS

LONDON derivatives had a busier session as the approach of the deadline for possible military conflict in the Gulf tempted some investors to hedge against any sudden move in UK equities.

The March FT-SE [redacted] contract [redacted] of the [redacted] as some locals on [redacted] London [redacted] Financial Futures Exchange took [redacted] positions [redacted] any Gulf war. [redacted] with [redacted] where [redacted] are [redacted] to [redacted] neutral positions.

[redacted] the market moved lower, [redacted] to buy modest amounts of futures contracts.

Many larger funds remain wary of UK equities, although there is also concern [redacted] to miss [redacted] any recovery.

The level being [redacted] as a possible floor by some brokers for March FT-SE is 2,050, about 90 points below yesterday's close. A fall to that level would allow for an [redacted] out in [redacted].

The [redacted] closed above its lows [redacted] and [redacted] US [redacted] higher. [redacted] at [redacted] 8 points on the day. [redacted] premium [redacted] the [redacted] finished [redacted] 38 points, against 32 [redacted] the previous session.

Traded options also saw a pick-up in activity as one broker executed a number of bearish trades in the FT-SE Index. The day's 36,249-lot turnover was up by almost 50 per cent and was divided evenly between calls and puts.

The FT-SE options traded [redacted] contracts, [redacted] puts accounting [redacted] of turnover. [redacted] The January 2000 puts [redacted] most [redacted] as 1,527 contracts [redacted] changed hands.

Among the [redacted] options, [redacted] pitch was boosted by active dealing in BP, particularly the January 330 calls and puts. A total of 3,014 lots were traded, equivalent to 3m shares.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allid Lyons (*474)	460	24	48	56	5	15	25
	500	5	26	35	29	37	45
	550	1½	10½	–	77	78	–
Unilever	[redacted]	[illegible]	54	68	6	22	28
[redacted]	700	7	27	43	37	48	55
Ultramar	[redacted]	[illegible]	40	52	3	9	12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Amstrad	60	8½	12½	14	4	6	7½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Stratagem steps in with £6m offer for Touchstone

By David [illegible]

STRATAGEM, the investment [illegible] yesterday launched a hostile all-share offer for Touchstone just a day after the computer services group announced it was in preliminary merger discussions with Ferrari Holdings.

The bid values Touchstone, which in its former identity as MBS was IBM's largest European distributor [illegible] personal computers, [illegible] about £5.6m.

In yesterday's trading, Strat[illegible] said that it had purchased 7.4 per cent [illegible] Touchstone's ordinary shares and raised its holding of the group's convertible unsecured loan stock to 21.3 per cent.

The group has additionally [illegible]ved irrevocable undertakings [illegible]m holders of 9.8 per [illegible] [illegible] Touchstone ordinary shares, while holders of [illegible] per cent [illegible] the shares have indicated their [illegible] "in the absence of unforeseen circumstances."

Under the proposed deal, shareholders would receive one Stratagem share for every 32 Touchstone held, and 21 shares per £100 nominal of the loan stock.

Stratagem shares fell 10p yesterday to 135p, while Touchstone closed up ½p at 4½p.

If successful, Stratagem said that it would "reduce central overheads, put a stop to any further costly acquisitions and inject a sense of reality more in keeping with the modest size and present profitability" of the group.

Touchstone – which [illegible] October reported an interim loss of £66,000 on turnover of £9.81m – rejected the offer, stating that "this unsolicited takeover bid has [illegible] commercial or financial merit."

"There [illegible] no common sense behind the transaction," said Mr David Ewart, Touchstone's recently appointed chairman. He described the commercial case for an association between Ferrari – whose shares fell 2p to 9p yesterday – and Touch[illegible] [illegible] "very [illegible] indeed."

Mr Bernard Kerrison, Stratagem's chief executive, [illegible] no stranger to Touchstone.

KFC, [illegible] [illegible] boutique part-owned by him was the group's joint financial [illegible]r for a six month period ending last June. "We have [illegible] for their major investors in negotiations with the company [illegible] [illegible] future," [illegible] said yesterday.

Sanderson Elect seeks [illegible] to main market to boost shares

By David Owen

SANDERSON Electronics, the computing services group, is to apply for a Stock Exchange listing in a move prompted by disappointment [illegible] the recent performance of [illegible] USM-quoted shares.

The shares, which began 1990 [illegible] 298p, have since [illegible] steadily, closing yesterday at 120p. Last month, the Sheffield-based group, which has a 49 per cent stake in General Automation, the US minicomputer company, reported annual [illegible] [illegible] profits up 10 per [illegible] [illegible] (£3m).

Announcing the decision [illegible] yesterday's annual meeting, Mr [illegible] Thompson, chairman, [illegible] the share price [illegible] "appears [illegible] reflect market [illegible]timent towards [illegible] computer industry [illegible] whole, rather [illegible] [illegible] particular misgivings about Sanderson itself".

"The [illegible] Securities Market appears to have lost its ability to attract investors," Mr Thompson said. "The board hopes that [illegible] graduation to the senior market would enhance [illegible] [illegible] of the company's [illegible] [illegible] provide [illegible] platform upon [illegible] build [illegible] [illegible] of the share price."

The improvement in [illegible] group's profits was [illegible] [illegible] controls and management discipline in the face of [illegible].

The group [illegible] to [illegible] [illegible] final dividend, but said [illegible] would instead [illegible] first [illegible] of 5.4p [illegible] [illegible] on February 11, [illegible] date on which [illegible] final would [illegible] been paid.

National Grid in line with forecasts

By Juliet Sychrava

THE NATIONAL [illegible] Company, which owns [illegible] operates the national electricity network, announced interim profits and dividends in line with forecasts outlined in the electricity flotation pathfinder prospectus.

Current cost pre-tax profits were £126.8m for the half year to September 30, and the total dividend payment was £34.8m, or 8.7p per share. Full year pre-[illegible] profits are expected to be [illegible] £324.3m [illegible] a current cost basis, with [illegible] full year [illegible] payment [illegible] £104.5m.

Turnover for the company, which [illegible] owned by the 12 [illegible] electricity companies, was £562.3m. Net interest took £42.8m and the tax charge was £64.3m.

More than 80 per [illegible] NGC income comes from charges to grid users, which are calculated on an annual basis and then spread over the year in even monthly payments. The remaining income is earned by the company's two pumped storage power stations, and ancillary services relating to managing the grid and pool system.

Wiltshire fails to organise profits in a brewery

By Clay Harris

OLD GRUMBLE lived up to its name last summer, as drinkers discovered what ale brewed by an accountant tasted like.

Wiltshire Brewery, whose other beers include Stonehenge and Old Devil, said yesterday it would report a loss for the year [illegible] September [illegible] in part because [illegible] did not have a head brewer during peak months, and beer sales suffered accordingly.

Mr Graham Axford, chairman, said the company's financial controller, [illegible] chemical engineering graduate as well as an accountant, had to step in to supervise brewing.

"We had volume problems and [illegible] extent quality problems," Mr Axford said.

The grumbling spread to the USM where Wiltshire shares fell by 18p to 38p. They were placed at 70p last February.

Wiltshire also announced an asset swap with County Inns, a Business Expansion Scheme company in which it has an 11 per cent interest. The deal leaves each with a brewery and [illegible] concentrated [illegible] [illegible] Mr Axford is chairman of both companies.

Afterwards, Wiltshire will comprise a brewery at Tisbury and 22 pubs in its home county, Hampshire and Somerset and in the east end of London. County will have a brewery and 11 Midlands pubs.

County will take over six pubs which Wiltshire bought only last July, and a micro-brewery which produces Ma Pardoe's beer. From County, Wiltshire will get the Crown Inn in Wells, Somerset. County will also buy Strongact, which brews Premier Midland ales in Stourbridge.

Strongact will be issued £500,000 in County shares; if this exceeds 29.9 per cent of the enlarged share capital, the surplus will be placed.

Wiltshire receives a net £300,000 cash, and a share issue which will raise its interest in County to 14 per cent. It said internal controls had been unable to cope with its larger estate.

Mr Jeff Scobie has left after three years as managing director.

Further provision for NatWest's US arm

By David Lascelles, Banking Editor

NATIONAL Westminster Bank expects [illegible] Bancorp, its [illegible] subsidiary, to report a loss for 1990 because of the troubles of the local banking market.

Mr John Tugwell, chief executive of international banking at NatWest, said [illegible] company would be making further provisions in its fourth quarter results which will be published shortly.

The bank already provided $305m in the first nine months of last year, pushing it into [illegible] loss of $126.5m for that period.

[illegible] will be injecting fresh funds into its [illegible] York operating arm where the bulk of the losses are concentrated. [illegible] Tugwell declined [illegible] put [illegible] figure on the new capital, but stressed that it would come from the group's existing capital resources in the US rather than from London.

NatWest has one of the largest US banking businesses of the UK clearers following a series of acquisitions begun ten years ago, mainly in the north east.

Most [illegible] the problems are concentrated in NatWest USA, the unit of NatWest Bancorp which operates in New York and has a large exposure to the real estate market, including interests of Mr Donald Trump. [illegible] USA's [illegible] estate loans amounted to [illegible] per cent of its assets, which currently [illegible] $11bn [illegible] (£5.8bn – £6.3bn).

The other unit, NatWest [illegible], operates in neighbouring New Jersey.

Last year, NatWest Bancorp injected $300m of additional capital into [illegible] USA, consisting [illegible] $200m of equity and $100m [illegible] loan capital. But this was mainly to offset losses on the bank's $1bn Third World debt portfolio which is being wound down, rather than to meet real esta[illegible] losses.

Following more recent problems, [illegible] will need a further capital transfusion, Mr Tugwell said. This will come from [illegible] Bancorp which was recently merged with NatWest Capital Corporation, its US-based capital-raising arm, and was well capitalised as a result. "The parent won't [illegible] to put any more money into it," [illegible] said.

Since the troubles began, NatWest has made management changes in its US business, and has tightened up its procedures. Mr Tugwell said NatWest Bancorp was now "a good operation".

But he was critical of the US banking authorities who, he said, had taken an inconsistent approach to NatWest Bancorp and aggravated the group's difficulties. He declined [illegible] elaborate, but said: "The regulatory [illegible] need to get their act together [illegible] little more [illegible] they [illegible] [illegible] encourage people [illegible] invest their money there."

A Cook who hopes for easy digestion

Richard Gourlay looks at reasons behind the £40m bid for Telfos

MR ANTHONY Cook has made his name restoring life to one of the least profitable sectors of European engineering, the UK steel foundry industry.

After taking [illegible] as chairman of William [illegible] father in 1982 when the com[illegible] had one casting site in [illegible]field, he has bought 17 operations in [illegible] fragmented market [illegible] whittled them down to eight sites. In the process he has built a group significantly larger than its nearest UK competitor.

His group's £40m bid for Telfos Holdings, the Leeds-based locomotives rolling [illegible] [illegible], [illegible] therefore something [illegible] surprise. [illegible] only is it [illegible] sideways move into [illegible] where there [illegible] no obvious [illegible], [illegible] Mr Cook [illegible] entering an [illegible] will be few, if any, opportunities to apply his purchase-and-rationalise philosophy.

Yorkshire born Mr Cook is clearly relying on his reputation as a "sorter-outer", recognised last year when William [illegible] was [illegible] CBI company [illegible] year.

"My message to [illegible] shareholders is to change your board for us," Mr [illegible] said. "The Telfos board has squandered the fruits of the efforts of people within it," he said, referring to what he calls questionable interests that have been built up in investments.

Mr Cook says there is much to sort out. Telfos kicked off the year with an announcement that it was deferring payment of preference share dividends while it strengthened its balance sheet. This followed a need to make additional provisi[illegible] arising from the sale of its one third stake in Euromagnetics Holdings, a manufacturer of magnetic storage media, which left insufficient distributable reserves to pay the dividend. In total Telfos will have made provisions of more than £8.5m relating to Euromagnetics.

This followed a £13.9m rights issue in July – the second in 13 months – at 180p, which was enthusiastically taken up by shareholders who believed there were good prospects for the core business, mainly in the Hunslet locomotives and rolling stock subsidiaries.

Following the provisions and a series of boardroom disagreements that led to the departure of Mr Jo Malins, the chief executive, Telfos's share price dropped to 66p.

According [illegible] Mr Cook, Tel[illegible] [illegible] from the core [illegible] [illegible] company's balance [illegible]. They have [illegible] investment in [illegible] land [illegible] Filey, [illegible] planning permis[illegible] yet [illegible] received, and [illegible] £9.4m investment in [illegible] Bermu[illegible] company, Nelson Asset Management.

In spite of these problems, the prospects for [illegible] core business remain strong. It is the UK's third largest supplier of rolling stock behind Brel and GEC Alsthom in an industry that has an enviable under-capacity and will soon be bolstered by substantial orders from British Rail for its southern region service if nowhere else.

Jo Malins: left Telfos after boardroom disagreements

It also has a controlling interest in Ganz-Hunslet, a joint venture with the Hungarian government, through its 75 per cent stake in Telfos AG in Austria.

It is this business which some analysts say may have provided nearly half Telfos's £4m operating profit at the interim stage last June. It is probably the reason why Jenbacher, [illegible] Austrian rolling stock company, has built up a 2 per cent stake in Telfos, pushing the share price to over 100p.

If William Cook's bid is successful, the Ganz-Hunslet business might be retained, Mr Cook said yesterday, while its investments away from the core business would be sold.

The William Cook move will however put its balance sheet under strain at a time when it has not fully digested its recent acquisitions. Mr Brian Harding, [illegible] broker at James Capel, believes the [illegible] needs something like the Telfos acquisition if it [illegible] to [illegible] any chance of maintaining its recent growth. Pre-tax profits rose 55 per cent to £5.8m in the six months to September 29 on turnover [illegible] cent [illegible] £70.43m.

Mr [illegible] clearly [illegible] similar thoughts and [illegible]elieves that there remains only limited potential in the steel castings business.

The opening shot in the bid means a rise in gearing from about 50 per cent, on debt currently standing at some £17.5m, to a worst case scenario of 100 per cent. This is based on £11.85m of cash currently on offer – the balance being in the form of three new William Cook shares for every eight Telfos shares.

Mr Cook estimates that the group will be able to sell £20m of assets in the first 12 months and bring gearing down to today's level.

This plan, of course, depends on what William Cook finds once it starts the process of digestion. The company has already postponed its year-end three months until March to strengthen its balance sheet.

"Earnings per share this year are distinctly uncertain, and at around 120p, Cook's price looks very generous," Mr Tony Skelton of brokers Gilbert Eliott said, although he pointed out that Telfos has no debt. "They are buying some uncertain and deferred profitability and as such may be paying a full price for entry into the business."

Turkey helped fund Nadir's bail

By John Murray Brown in [illegible] and Richard Donkin in [illegible]

PRESIDENT Turgut Ozal of Turkey has indicated that it was his government which helped provide the £3.5m bail to secure the release of Mr Asil Nadir, the chairman of Polly Peck International.

The Turkish Cypriot businessman is facing 18 charges of theft and false accounting related to the collapse of the UK-based fruit to electronics group.

Speaking on Turkish television in the first public comments he has made on the troubles of Mr Nadir and Polly Peck, President Ozal also expressed disappointment that Turkish banks had not offered greater support to the company last autumn.

"We don't know the ins and outs of his problems . . . but some banks did not take a course of action as we would have wanted."

While cautious to distance himself from the circumstances [illegible] Mr N[illegible] arrest, [illegible] Ozal's comments [illegible] growing public support which followed Mr [illegible] arrest by [illegible] 10 days before Christmas.

● [illegible] Elizabeth Forsyth, chairman [illegible] South Audley Management, a [illegible] which handled investments for Mr Asil Nadir, was interviewed at the London headquarters of the Serious Fraud Office yesterday.

Mrs Forsyth had been living in Switzerland and [illegible] Cyprus during the autumn after her name was linked with suspicious share buying in Polly Peck.

She returned [illegible] UK before [illegible] and announced that she had voluntarily arranged to be interviewed early in the new year.

The Serious Fraud Office confirmed that the interview was carried out under Section 2 of the Criminal Justice Act, which removes the right to [illegible] under questioning.

Goode Durrant declines 21%

Goode Durrant, the industrial management group, reported a 21 per cent reduction, from £6.7m to £5.3m, in pre-tax profits for the six months to end-October 1990.

[illegible] declined to £133.4m (£140.9m) but operating profits advanced 16 per cent to £8.2m (£7.07m). The interim dividend is maintained at 2.15p payable from earnings per share down from 8.5p to 6.5p.

Mr Michael Waring, chairman, said all divisions traded profitably and as part of the strategy of concentrating on sound profitable businesses it had been decided to dispose of Goode Durrant Bank.

NEWS DIGEST

Bucknall Austin down at £0.54m

REDUNDANCY costs of £182,000 left Bucknall Austin, the USM-quoted quantity surveyor and project manager, with reduced pre-tax profits of £542,000 for the six months to October 31 compared with £706,000.

The company also announced it was acquiring Contract Consultant Services based in Hong Kong and Singapore, for an initial £500,000. For 1989 its tax-[illegible] profits [illegible] HK$3.2m (£210,000) [illegible] turnover [illegible] HK$8.9m, and projected results for 1990 are HK$2.1m and HK$11.7m respectively.

Bucknall's turnover advanced [illegible]. Earnings [illegible] share fell from 6.2p to 4.4p but the interim dividend is held at 1.3p.

AG Barr shows 50% advance

AG Barr, the soft drinks manufacturer, lifted pre-tax profits by 50 per cent to £4.[illegible]m in the year to October 27. The total dividend is raised 2.6p to 15.6p, with a recommended final of 12.35p. [illegible] 2-for-1 scrip issue is also proposed.

The advance from the previous year's slightly depressed £2.94m after exceptional provisions of £234,000, was struck from turnover only marginally higher at £89.78m (£88.5m).

Interest charges dipped to £1.64m (£1.98m) [illegible] took £444,000 more at £1.35m. Earnings per share worked through at 48.1p (32.21p).

An extraordinary charge of £511,000 (credit £1.05m) represented the costs of a major restructuring of the group's production and distribution arrangements.

M&W beats flotation forecast

M&W, [illegible] Southampton-based convenience store group, [illegible]terday unveiled profits [illegible] [illegible] tional [illegible] for [illegible] year [illegible] September – [illegible] company's flotation [illegible] £1.6m.

After taking in interest receivable of £37,000 and exceptional income of £207,000, the pre-tax outcome was £1.99m.

Turnover amounted to £60.62m. Weighted earnings per 10p share emerged at 9.7p against a forecas[illegible] 8.9p. A single dividend of 1p is proposed [illegible] the [illegible].

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bucknall Austin§ ....int	1.3	Apr 9	1.3	-	4.8
Goode Durrant ....int	2.15	Feb 14	2.15	-	5.4
Jurys Hotel ....int	2♣†	Feb 9	2	-	5
M&W ....fin	1	Feb 28	-	1	-
[illegible] Sec § ....int	2.2	Feb 26	1.8	-	7
Treatt § ....fin	2.25	Apr 10	2.25	3.25	3.25

[illegible] pence per [illegible] except [illegible]
*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of [illegible] Official indications are not available as to whether [illegible] dividends are interims or finals and the sub[illegible] shown below are based mainly [illegible] last year's timetables.

TODAY

Interims- ASDA, Banks (Sidney C), Bespak, Dixons, Northern Electric, Southern Electric, South Wales Electricity.

Finals- Alexanders Holdings, M & G Dual Trust, [illegible] Business, TSB.

FUTURE DATES

Interims-
Dee[illegible] ....Jan. 22
Wyko ....Jan. 16

Final-
EFM Java Trust ....Jan. 30

London [illegible] sugar to trade on [illegible] from Friday

By David Blackwell

RAW [illegible] futures will switch from floor [illegible] screen trading in London on Friday after an attempt to halt the move failed yesterday.

[illegible] extraordinary general meeting [illegible] the London Futures and Options [illegible] (Fox) [illegible] resolution calling for an integrated trading [illegible] with pits for all Fox markets was defeated by 58 per cent to 42 per cent of the votes.

The [illegible] called [illegible] some exchange [illegible] were upset by the sugar committee's announcement [illegible] month that the [illegible] raw sugar contract [illegible] being moved to the Fox screen trading system, known as Fast.

[illegible] initial vote, [illegible] holders unanimously [illegible] to allow Fox markets [illegible] determine their own future. [illegible] Fox has just merged [illegible] the Baltic Futures Exchange, [illegible] about [illegible].

The resolution in [illegible] of pit trading [illegible] proposed by GNI, the London futures brokers, and backed by several other trading companies. Mr Mark Davies, managing direc[illegible] of GNI, said yesterday [illegible] the debate had been "full and frank". The proposal to go for pits rather than screen trading had attracted substantial support, he said, but his company accepted the majority decision [illegible] would "wholeheartedly support [illegible] trading."

Mr Mark Blundell, chief executive of Fox, believes the sugar contract will be the first in the world to switch direct from floor to screen trading.

Sugar futures turnover (50-tonne lots)

Month	[illegible]	[illegible]
December	24,157	[illegible]
November	32,826	24,606
October	42,155	[illegible]
September	69,259	32,184
August	50,423	[illegible]
July	76,668	[illegible]
June	80,714	33,711
May	[illegible]	24,620
April	[illegible]	28,718
March	[illegible]	[illegible]
February	120,176	[illegible]
Total	[illegible]	[illegible]

Last [illegible] raw sugar trading volume [illegible] declined from 120,176 [illegible] January to 24,157 lots in December. Mr Blundell believes that the switch [illegible] screens will result in wider participation and increased liquidity. "We [illegible] already had some applications for screens from the US," he said.

[illegible] exchange already [illegible] white sugar on screen, [illegible] ing between 1,000 and 1,500 [illegible] a day.

Mr Jon Payne, chairman [illegible] the [illegible] market committee, [illegible] the market had [illegible] declining volume, the numbers leaving the floor, and the effect on liquidity. Business had been quiet throughout [illegible] market [illegible] supply and demand for sugar [illegible] roughly in balance.

Locals, who [illegible] to trade for their own [illegible] to help boost market liquidity, [illegible] "very disappointed". Mr David Rose, [illegible] he spoke for 22 locals who traded [illegible] yesterday [illegible] he had "no [illegible] of trading [illegible] on [illegible] screen."

Brazil to release more exports

By Victoria Griffith in [illegible]

[illegible] exports will reach [illegible] least 790,000 [illegible] this [illegible] according to [illegible] Regional Development.

The figure [illegible] well [illegible] the 550,000 the [illegible] had previously expected [illegible] authorise, but still [illegible] the annual aver[illegible] of 1.1m [illegible] in [illegible].

"We will be authorising more [illegible] imports than [illegible]ipated, primarily [illegible] a [illegible] in consumption [illegible] alcohol," said Mr [illegible] Roberio, [illegible] of sugar and alcohol projects at the secretariat. Many Brazilian cars run on alcohol derived from sugar.

Dr Luiz Bertelli, director of the Association of Sugar and Alcohol Industries, predicted that exports could exceed 1m tonnes by the end of the year.

The [illegible] has ruled that [illegible] demand must be [illegible] states can be given permission [illegible] export. But it [illegible] exception [illegible] by authorising [illegible] the US market.

"We decided to bend the rules in order to woo the US buyers," said Dr Roberio. Most of the exports are from the north-eastern states of Pernambuco [illegible] Alagoas, which have already satisfied local demand. In the industrial state of São Paulo, the biggest producer of sugar in Brazil, [illegible] still a six week [illegible] of alcohol on the market.

That shortage [illegible] expected to fall rapidly, however, [illegible] Brazil[illegible] consumers [illegible] an alterna[illegible] called MAG – [illegible] mixture of methanol, petrol and alcohol – [illegible] their [illegible] lifted imports of methanol from [illegible] US, Chile and the European Community in order diminish alcohol demand. Demand [illegible] alcohol has [illegible] softened [illegible] car-owners, [illegible] the [illegible] shortage, have switched [illegible] petrol-driven vehicles.

A rise in [illegible] production will also boost exports. Mr Roberio predicted that sugar production in the southern stat[illegible] would exceed earlier predictions by [illegible] least 2,000 tonnes. An increase in exports [illegible] come [illegible] relief to Brazil's hard-pressed sugar growers.

BRAZIL, the world's second biggest cocoa producer, [illegible] considering pulling out [illegible] the International [illegible] Organisation, the producer-consumer group that until [illegible] tried [illegible] stabilise prices for the commodity through a buffer stock buying system, [illegible] country's Economics Ministry confirmed this week.

MINOR METALS [illegible]

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,680 (1,630-1,670).

BISMUTH: European free [illegible], min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-2.90 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, [illegible] (same).

COBALT: European [illegible] market, 99.5 per cent, $ per lb, in warehouse, 15.25-16.00 (14.75-15.50).

MERCURY: European free market, [illegible] 99.99 [illegible] $ [illegible], in warehouse, 150-160 [illegible].

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.65-2.75 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 37-49 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, [illegible] (same).

URANIUM: Nuexco [illegible] value, $ per lb, U_3O_8, [illegible]70 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+10,975	to 328,975
Copper	−1,600	to 179,900
Lead	−150	to 56,200
Nickel	[illegible]	[illegible]
Zinc	−75	[illegible]
Tin	−125	to 20,550

Gas project to test Peru's investment climate

Sally Bowen assesses prospects for development of the vast Camisea field

THE BIGGEST [illegible] for Peru's new policy of encouraging investment, whether foreign or national, will be its attempt to attract money for development [illegible] the [illegible] Camisea gas and condensates field in the south-east jungle. Mr Fernando Sanchez Albavera, the Mines and Energy Minister, [illegible] calling 1991 "the [illegible] Camisea".

Officially, [illegible] development requires investment of US$1,485m, making Camisea by far the biggest and most ambitious energy project Peru [illegible] in the pipeline.

Development [illegible] already been stymied [illegible] by a dispute between Royal Dutch Shell – which [illegible] the initial find – and [illegible] previous Alan Garcia government which, in 1988, withdrew Shell's operating contract amid accusations [illegible] non-fulfilment [illegible] commitments.

Camisea's [illegible] main deposits, San Martin and Cashiriari, [illegible] estimated to contain 10.8 trillion (million million) cubic [illegible] of recoverable non-associ[illegible] and 725m barrels of liquid natural [illegible] (mostly propane with some ethane [illegible] high proportion of heavier hydrocarbons). These reserves, and there could be plenty [illegible] to dis[illegible] according [illegible] experts, [illegible] already equivalent [illegible] 2,500m barrels of crude oil. That [illegible] Peru's cur[illegible] proven crude [illegible] which have fallen [illegible] combination [illegible] of external financing and [illegible] dearth [illegible] exploration, [illegible] barrels [illegible] barrels [illegible] the [illegible] 1989.

Petroperu, [illegible] state-owned mining and refining giant [illegible] that, without Camisea, Peru is likely to become [illegible] importer of oil in the next few years. Even modest industrial reactivation would push demand up [illegible] 140,000 barrels [illegible] day against estimated produc[illegible] of only 110,000 b/d. [illegible] 1993, Peru could [illegible] spending US$400m a year on importing fuel.

'Peru cannot develop Camisea alone. . . we must create [illegible] favourable environment for investment'

Peru's South is [illegible] suffering from an increasingly severe energy crisis, which has crippled nascent industrial initiatives. This year's drought further exacerbated the problem and has made more urgent the need for alternatives to hydro-electric power generation.

Development [illegible] Camisea [illegible] considered top priority by [illegible] all Peruvians. The Ministry of [illegible] and Mines has distributed a hefty consultative [illegible] intended [illegible] help [illegible] optimum approach [illegible] develop[illegible].

[illegible] far, [illegible] principal [illegible] the ointment [illegible] regional interests and [illegible] left wing politicians, [illegible] international involvement in Peruvian resources. The Minis[illegible] Energy and [illegible] however, himself a [illegible] winger, has not minced [illegible] words. "Peru [illegible] develop [illegible] alone. . . we must [illegible] a favourable environment for investment with guaranteed investment and [illegible] for [illegible] in a [illegible] of economic stability," [illegible] declared recently.

Camisea lies in the department of Cuzco, now part of the newly constituted Inka Region. Legally, the region has a strong voice in decisions over natural resources found within its boundaries, as well as the right to a percentage of income earned from those resources. The Senate Energy Commission [illegible] proposed creating a public company, Energo Inka, with [illegible] strong regional voice, [illegible] administer the Camisea [illegible]. This has provoked [illegible] from those familiar with [illegible] prototype Peruvian public company.

In [illegible] working [illegible] the ministry [illegible] ambitious scheme, [illegible] extraction and separation [illegible] on [illegible] of [illegible] satisfy [illegible] demand, still [illegible] low [illegible] around 100m [illegible] day but projected to triple [illegible]. The remaining [illegible] be re-injected into [illegible] ground to await future [illegible] tion [illegible] more [illegible] ket.

The gas and condensates would then be transported via two principal pipelines. One, with capacity for 900 cu ft of gas a day, would run from Camisea to within 25 miles of Lima, where it would branch into three, serving the central, northern and southern coast where most of Peru's population and industry is located.

The main duct would be some 330 miles long and cross the Andes at heights over 4,500 metres above sea level. The slightly smaller secondary duct from Camisea to Cuzco to supply a thermal energy plant providing power for the southern region would be 225 miles long.

This option looks over-ambitious in current Peruvian conditions. Despite encouraging responses by the IMF [illegible] initial government actions, Peru is likely to have to [illegible] than good inten[illegible] before international money flows in. The promised signings of investment [illegible] agreements with the Overseas Private Investment Corporation and the similar World Bank-sponsored MIGA scheme, will help [illegible] but not ensure investment response.

In the past few weeks, local experts note [illegible] greater realism creeping into the Camisea dream. "The Minister [illegible] scaling [illegible] idea," one [illegible]mented. "Instead of [illegible] a Rolls Royce, he's thinking [illegible] something more in the Toyota class."

Realism could mean starting modestly, extracting the abundant and saleable condensates from the smaller San Martin field. Immediate investment of $17mn would mean the swollen rivers could be used during the coming rainy season to transport drilling equipment into the area. Condensates could be distributed and marketed within four years of starting drilling operations.

Liquefied petroleum gas has a ready local market and could sensibly replace expensive kerosene, a popular cooking fuel. Each barrel of kerosene substituted would save Peru $12 – adding up to a total of $283m in five years.

The condensates and some of the gas would be used initially for electricity generation, replacing petroleum derivatives. They could also serve as raw materials for the petrochemicals industry and in fertiliser and sponge iron production.

Under this option, the expensive pipeline ($635m according to Petro Peru estimates) would be delayed until the domestic market market for gas was established.

In all likelihood, the Camisea contract will end up by being shared among a variety of interested companies. Shell would appear to be the obvious candidate to develop the gas fields themselves – the Ministry puts a $490m price tag on that element. Norberto Odebrecht, the Brazilian mining and construction corporation with well-established interests in Peru, could be in the market for construction of a thermo-energy plant near Camisea with a view to exporting energy to south-west Brazil as well as to Peru's south. And Mr Sanchez Albavera envisages private companies, national or foreign, tendering for the refining and distribution of the hydrocarbons.

Peru's macroeconomic performance over the coming months will be the acid test. According to the Minister: "If we can consolidate this favourable climate in the first few months of 1991, then we'll be in a position to negotiate a good deal over Camisea."

Soviet interest lifts London freight futures

By Richard Mooney

SOVIET INQUIRIES for shipping capacity [illegible] from the [illegible] helped to push dry cargo freight [illegible] sharply higher on [illegible] Freight [illegible] yesterday.

The February position quickly rose the 50-point per[illegible] daily limit to 1,465 points and, despite being [illegible] by profit-taking in the afternoon, was back to [illegible] level at the close.

Mr Philippe van den Abeele [illegible] broker [illegible] the rise was also [illegible] by [illegible] from grain trading houses anticipating a successful outcome to the talks on [illegible] US credit [illegible] for the Soviet Union.

In the background, he added, was continuing concern about [illegible] Gulf [illegible] and fears [illegible] Canal might have to be closed if war broke out.

Metal output surges forecast

By Kenneth Gooding, Mining Correspondent

ACCELERATED exploration and development [illegible] by high base metals prices in the past few years is likely to lead [illegible] an aggregate production capacity increase of more than 22 per [illegible] in the five years [illegible] according to the Metals [illegible] Research [illegible] consultancy group.

The greatest surge is predicted to be in the aluminium industry [illegible] smelting capacity is expected to rise by 29 per cent. But MMRS says this increase should be matched by a surge in consumption so the failure of just one of several apparently secure major smelter projects could tip the market [illegible] deficit.

[illegible]onsequently, MMRS [illegible]gests in its latest Analysis & Outlook publication that the aluminium price is likely to rise from 70 cents to 80 cents a lb in 1991 to $1.30 in 1993.

MMRS predicts that copper mine capacity will grow by [illegible] annual 2.9 per cent through to 1995 and that prices will be below the [illegible]. With a 4 to 5 per cent capacity rise due in 1991 because of the commissioning of Chile's huge [illegible] mine, "a period of surplus, [illegible] consequently lower prices, [illegible] therefore in prospect until 1992." MMRS believes c[illegible]per will [illegible] 85 cents a lb [illegible] year, [illegible] cents in 1993 and $1.10 in 1995.

Nickel supply is likely [illegible] severely squeezed during 1993-94, says MMRS. The price, which could average to less than $3 a lb in real terms in 1991, may rebound above the 1988 peak of $7.

Lead [illegible] may well be struggling to keep pace with [illegible] within three [illegible], according to MMRS, but additions to mine capacity could mean that the zinc market is held in surplus at least to 1993.

Tin mine production is begining to ease, MMRS points out, and [illegible] considerably stocks overhanding the market will gradually [illegible] whittled away. The [illegible] will be slow so that prices will [illegible] held below $3 a lb in 1991 but [illegible] recovery to $5 is on the cards for 1993.

MMRS was [illegible] the [illegible] metals analysts [illegible] in the autumn of 1989 that the gold price would continue to fall in 1990. It maintains [illegible] bearish stance but suggests the gold price may rise [illegible] per cent to average $430 a troy ounce in 1995. "Much of this movement will reflect a further slide in the US dollar and real gold prices are unlikely to change much."

Faced with oversupply, platinum prices will do well if they top $450 an ounce in 1991, [illegible]gests MMRS, while it holds out little hope that silver will better $5 an ounce in 1991-92. "Silver prices might not improve beyond $7.50 before the second half of the decade."

"Metals Analysis [illegible] Outlook," quarterly for £875 a [illegible] from MMRS, 2-4 Henry Street, Bath, Avon, BA1 1JT, England.

N Ireland farmers get £70m boost

By Our Belfast Correspondent

ULSTER farmers received a boost yesterday when [illegible] European Commission approved a £70m support programme for the province's agricultural industry.

Improvements in efficiency and competitiveness, [illegible] standards of [illegible] of produce, encouraging farmers to farm [illegible] an environmentally friendly way and consideration of alternative land uses and non-traditional enterprises are identified as priority areas.

The cost of the Northern Ireland Agricultural Development Operational Programme (ADOP) 1990-93 will be shared equally by the EC and British Government.

Many of the measures are aimed at helping smaller farmers improve efficiency to enable them to compete successfully.

WORLD COMMODITIES PRICES

MARKET REPORT

Aluminium prices on the LME closed lower yesterday as a further rise in stocks in LME warehouses maintained downward pressure [illegible] of significant [illegible] demand, particularly from Japan. Traders said there had been very little Japanese demand since their [illegible] Year holiday and [illegible] was beginning [illegible] the market. The 10,975 [illegible] rise [illegible] a [illegible] was [illegible] surplus [illegible] being delivered by both [illegible] producers. Some of the metal was believed to be Soviet origin. Lack of Japanese demand also left copper prices lower. In addition, dealers expect copper to be among [illegible] by any outbreak of hostilities in the Gulf, because of the fall [illegible] demand resulting from [illegible] war [illegible] the industrialised [illegible]. [illegible] Chicago soyabeans were sharply [illegible] midday. [illegible] cited [illegible] the [illegible] not be [illegible] more [illegible] Soviet republics. In New York nearby orange juice [illegible] well ahead [illegible] midday [illegible] lack of delivery notices issued against spot January contracts.

Compil[illegible] Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	[illegible]	-0.37
[illegible] (February)	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
W.T.I. (1 pm [illegible])	$26.60-6.65t	-0.55

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	[illegible]	+13
[illegible] Oil	$260-262	+8
[illegible]vy Fuel Oil	[illegible]	
Naphtha	$276-279	+3
[illegible]	[illegible]	

Other		+ or -
Gold (per troy [illegible])	$388.25	[illegible]
Silver (per troy oz)♥	[illegible]	+4.75
Platinum (per troy oz)	[illegible]	-1.75
Palladium (per troy oz)	[illegible]	+1.4
Aluminium ([illegible] market)	$1540	-30
Copper (US Producer)	122c	
[illegible] (US Producer)	[illegible]	+1
Nickel (free market)	[illegible]c	+9
Tin (Kuala Lumpur [illegible])	15.15r	-0.05
Tin (New York)	263c	
Zinc (US Prime Western)	70c	
[illegible]	105.86p	+2.90*
[illegible] (dead [illegible])	[illegible]	+2.47*
[illegible] weight)†	73.53p	+1.07*
[illegible] daily sugar [illegible]	[illegible]	+0.6
London daily sugar [illegible])	$299.5z	+0.5
Tate [illegible]	[illegible]	+0.5
Barley (English [illegible])	Unq.	
Maize (US No. 3 [illegible])	£163.0	
Wheat (US Dark Northern)	£87.0	
Rubber [illegible]	51.00p	-0.50
Rubber ([illegible])	51.25p	-0.50
Rubber (KL RSS No 1 Jan)	237.0m	-2.0
Coconut oil (Philippines)§	355.0w	
[illegible] Oil (Malaysian)§	350.0	-5.0
Copra [illegible]	$242.0x	[illegible]
Soyabeans (US)	£140.0	+0.5
Cotton "A" index	83.20c	-0.55
Wooltops (64s Super)	414p	

£ a [illegible] p-pence/kg. [illegible], r-ringgit/kg. q-Nov/Dec. t-Feb. v-Jan. [illegible] z-Jan/Feb. [illegible] †Meat Commission [illegible] * change from a [illegible] ago. ♥London physical market. §CIF Rotterdam. [illegible] Bullion [illegible] close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	[illegible]	[illegible]	High/Low	
Mar	[illegible]	[illegible]	206.60	201.20
May	[illegible]	[illegible]	209.40	204.00
Aug	210.20	214.00	214.20	209.20
Oct	210.00	213.40	213.40	209.00
[illegible]	[illegible]		[illegible]	
[illegible]	[illegible]		216.00	
[illegible]	[illegible]		217.00	

White	Close	Previous	High/Low	
Mar	293.4	[illegible]	298.6	292.7
May	291.9	[illegible]	297.5	291.5
[illegible]	[illegible]	305.5	[illegible]	299.5
[illegible]	[illegible]	[illegible]	[illegible]	277.0
Mar	274.6		276.5	274.5
[illegible]	[illegible]		278.5	

Turnover: [illegible] 1352 (1440) lots [illegible] tonnes. White 1305 [illegible]

Paris- White (FFr per tonne): Mar 1596, May 1530, Aug 1585, Oct 1486.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Feb	26.24	26.79	26.85	25.50
Mar	25.45	26.14	26.20	24.85
Apr	24.50	25.63	25.70	24.24
May	23.75	24.50	23.75	
IPE Index	25.38	24.91	25.36	24.91

Turnover 24271 (19686)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jan	253.75	244.50	256.50	251.00
Feb	239.25	235.00	244.75	236.50
Mar	228.50	225.25	233.50	227.00
Apr	216.50	215.50	225.00	216.50
May	211.00	211.25	218.00	211.00
Jun	208.00	205.50	216.00	210.00
Jul	208.00	208.25	208.00	

Turnover 16229 (15862) lots of 100 tonnes

JUTE

C and F Dundee BTC $530,BWC $540,BTD $480,BWD $485;C and F Antwerp BTC $490,BWC $500,BTD $435,BWD $435.

COTTON

Liverpool- Spot and Shipment sales for the week ending 4th January Amounted to 109 tonnes. Quiet Trading persisted with interest [illegible] in Turkish growths.

COCOA – London FOX [illegible]

	[illegible]	Previous	[illegible]	
[illegible]	[illegible]	651	656	[illegible]
May	683	[illegible]	[illegible]	683
Jul	710	716	719	[illegible]
Sep	741	746	748	[illegible]
Dec	773	775	780	772
Mar	797	800	802	796

Turnover: 7426 (4697) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Jan 7 883.43 (885.88) 10 day average for Jan 8 876.01 (877.65)

[illegible] – London FOX [illegible]

	[illegible]	[illegible]	High/Low	
Jan	604	[illegible]	[illegible]	600
Mar	589	582	[illegible]	[illegible]
May	594	590	[illegible]	[illegible]
Jul	[illegible]	605	611	[illegible]
Sep	626	623	625	620
Nov	639	636	640	636

Turnover: 2450 (1838) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Jan 7: Comp. [illegible] (71.02). [illegible] day average 72.14 (72.49)

POTATOES – London FOX £/tonne

	[illegible]	[illegible]	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	151.5	[illegible]	[illegible]	

Turnover 57 (99) lots of 40 tonnes.

SOYAMEAL – London FOX [illegible]

	[illegible]	[illegible]	High/Low
Feb	113.50		113.50
[illegible]	[illegible]	117.50	[illegible]
Jun	[illegible]	[illegible]	119.00

Turnover [illegible] of 20 tonnes.

FREIGHT – London FOX $10/index point

	[illegible]	Prev[illegible]	High/Low	
Jan	1470	1440	1470	1460
Feb	1465	1415	1470	[illegible]
Apr	1375	1357	[illegible]	1360
Jul	1080		1080	
BFI	1432	1435	1432	

Turnover [illegible] (357)

GRAINS – London [illegible] [illegible]

Wheat	[illegible]	[illegible]	[illegible]	
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	122.40	[illegible]	[illegible]	[illegible]
[illegible]	125.90	[illegible]	[illegible]	[illegible]
Jun	127.55		127.35	
[illegible]	111.95		112.00	

[illegible]	[illegible]	[illegible]	[illegible]	
Jan	[illegible]	114.35	114.00	113.75
Mar	[illegible]	117.75	117.25	116.85
[illegible]	[illegible]	[illegible]	[illegible]	118.10

Turnover: Wheat 189 [illegible] 97 [illegible]

Turnover lots of 100 [illegible]

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jan	94.0	94.5	94.5	94.0
Feb	[illegible]	94.8	[illegible]	93.5
Apr	[illegible]	98.3	[illegible]	
May	[illegible]	[illegible]	[illegible]	
Jul	[illegible]		[illegible]	

Turnover: 52 (55) [illegible] 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	[illegible]	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% [illegible] per [illegible]						[illegible]
Cash	[illegible]	1554-6	1540	[illegible]		
3 months	1570-2	1585-6	1580/1568	[illegible]	1565-6	62,770 lots
Copper, Grade A (£ per tonne)						Total daily turnover 21,436 lots
Cash	1348-50	1358-60	1354/1357	[illegible]		
3 months	[illegible]	1375-6	1381/1282	[illegible]	1361-2	[illegible]
Lead (£ per [illegible])						[illegible] daily [illegible] lots
Cash	315-7	315-7	[illegible]	316-6.5		
3 months	330.5-1.0	330-0.50	[illegible]	330-1	[illegible]	[illegible]
Nickel ($ per tonne)						[illegible] turnover 2,689 [illegible]
Cash	8900-50	8925-75		9025-75		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] ($ per tonne)						Total [illegible]
Cash	5640-50	5655-65	5645	5645-8		
3 months	[illegible]	5770-80	[illegible]	[illegible]	5755-60	[illegible]
Zinc, [illegible] High [illegible] ($ per [illegible])						[illegible] turnover [illegible]
Cash	1273-5	1271-4	1277	1277-8		
3 months	[illegible]	1265-7	1272/1264	1271-2	1264-5	

LME Closing £/$ rate: SPOT: 1.9050 | 3 months: 1.8786 | 6 months: 1.8565 | 9 months: 1.8366

[illegible] – London FOX

	[illegible]	Prev.	High	Low	Vol
Indx	161.70	162.60	161.70		
[illegible]	[illegible]20	162.30	162.20		20
[illegible]	[illegible]30	[illegible]	[illegible]		[illegible]
[illegible]	162.80	[illegible]	[illegible]	[illegible]	[illegible]
Jun	161.00	[illegible]	161.00		[illegible]
Sep	161.50	[illegible]	161.50		[illegible]
[illegible]	160.20	[illegible]	160.20		42

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz) $ price		£ equivalent
Close	[illegible]	
Opening	392.50-393.00	
[illegible]	392.80	206.194
After[illegible]	389.70	204.645
Day's high	393.00-393.40	
Day's low	387.75-388.75	

Loco Ldn [illegible] Gold Lending Rates (Vs US$)

1 month	[illegible]	6 months	[illegible]
2 months	[illegible]	12 months	[illegible]
3 months	5.67		

[illegible] fix	p/fine oz	[illegible] cts equiv
Spot	223.10	[illegible]
[illegible] months	230.60	432.70
[illegible] months	237.80	440.50
12 [illegible]	[illegible]	456.25

TRADED OPTIONS

Aluminium [illegible]%)	Calls		Puts	
[illegible] price $ tonne	Jan	[illegible]	[illegible]	[illegible]
1500	66	106	19	29
1600	5[illegible]	[illegible]	[illegible]	48
1700	18	34	55	103

Copper (Grade A)	Calls		Puts	
2500	137	133	50	101
2600	83	89	95	154
2700	45	57	156	219

Coffee	Mar	May	Mar	May
600	17	27	28	[illegible]
650	5	11	66	[illegible]
700	1	50	[illegible]	111

Cocoa	[illegible]	May	[illegible]	[illegible]
[illegible]	[illegible]	60	29	27
[illegible]	[illegible]	35	62	52
750	5	20	105	87

Brent Crude	Feb	Mar	Feb	Mar
2500			80	
2550			80	
2600		330	[illegible]	

New York

GOLD 100 troy oz.; [illegible]

	Close	[illegible]	[illegible]	
Jan	[illegible]	[illegible]	0	0
Feb	[illegible]	[illegible]	392.8	389.5
Mar	[illegible]	397.6	0	0
Apr	[illegible]	399.5	396.5	392.6
Jun	[illegible]	[illegible]	400.0	397.0
[illegible]	402.3	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	405.0	[illegible]
Dec	409.4	413.6	409.0	407.5
[illegible]	41[illegible]	417.4	413.2	412.6

PLATINUM 50 troy oz; $/troy oz.

	[illegible]	[illegible]	High/Low	
Jan	407.2	[illegible]	411.5	404.5
Apr	410.7	417.1	416.5	[illegible]
Jul	415.0	421.4	417.5	414.3
Oct	419.2	425.6	424.0	424.0
[illegible]	0	430.4	428.0	428.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	412.7	[illegible]	419.0	419.0
Feb	415.0	[illegible]	0	0
[illegible]	417.7	434.0	429.8	409.0
[illegible]	[illegible]	[illegible]	435.5	[illegible]
Jul	429.1	[illegible]	442.0	421.5
Sep	434.9	[illegible]	441.5	432.0
Dec	443.0	[illegible]	456.0	437.0
Jan	445.2	462.6	0	0
Mar	451.7	469.2	467.0	448.0
May	457.7	475.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	[illegible]	[illegible]	[illegible]	
[illegible]	115.70	117.95	116.50	[illegible]
[illegible]	115.55	117.80	116.50	115.10
Mar	114.50	116.80	116.20	114.10
Apr	113.00	115.20	113.40	112.50
May	111.50	113.30	113.10	111.30
Jun	110.60	112.20	0	0
Jul	109.40	111.00	110.50	110.00
Aug	108.55	110.15	0	0
Sep	107.70	109.30	109.20	107.80
Oct	[illegible]	108.55	[illegible]	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	[illegible]	[illegible]	High/Low	
Feb	[illegible]	[illegible]	27.70	26.46
[illegible]	26.30	[illegible]	25.95	[illegible]
[illegible]	25.46	[illegible]	26.05	24.85
May	[illegible]	[illegible]	25.25	[illegible]
Jun	[illegible]	24.02	24.60	23.65
Jul	[illegible]	23.59	24.00	23.10
[illegible]	23.18	23.25	23.60	22.80
[illegible]	[illegible]	[illegible]	[illegible]	22.55
[illegible]	22.66	22.81	22.95	[illegible]
Nov	[illegible]	22.69	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	[illegible]	Previous	High/Low	
[illegible]	7430	[illegible]	[illegible]	[illegible]
[illegible]	7172	[illegible]	7365	[illegible]
Apr	6852	[illegible]	7050	6750
May	6592	6586	6830	6535
Jun	6387	[illegible]	[illegible]	6350
[illegible]	[illegible]	[illegible]	[illegible]	6225
Aug	6312	6376	6465	6300
Sep	6402	6476	0	0
Oct	6487	16556	6680	6450
[illegible]	[illegible]	6636	[illegible]	6630

[illegible] tonnes;$/tonnes

	Close	Previous	High/Low	
[illegible]	1140	[illegible]	1151	[illegible]
[illegible]	1179	[illegible]	1189	[illegible]
Jul	1220	1240	1236	1218
[illegible]	1257	[illegible]	[illegible]	1260
[illegible]	[illegible]	[illegible]	[illegible]	1301
Mar	1343	1373	1355	1339
[illegible]	1371	1401	0	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	[illegible]	Previous	High/Low	
Mar	90.45	[illegible]	[illegible]	89.50
May	92.75	[illegible]	[illegible]	[illegible]
Jul	94.90	[illegible]	95.20	94.40
[illegible]	[illegible]	[illegible]	97.50	96.40
Dec	[illegible]	100.00	0	98.30
[illegible]	[illegible]	[illegible]	[illegible]	0
May	103.95	[illegible]	0	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	[illegible]	[illegible]	High/Low	
Mar	9.10	9.32	9.31	9.08
May	9.18	9.40	9.38	9.16
Jul	9.22	9.41	9.43	9.21
Oct	9.25	9.43	[illegible]	[illegible]
Mar	9.32	9.52	9.51	9.32
May	9.39	9.55	9.40	9.37

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	75.68	75.86	76.20	75.47
May	74.23	74.38	74.58	74.00
Jul	73.54	73.82	74.05	73.50
Oct	66.81	67.30	67.30	66.81
Dec	63.83	64.33	64.25	63.85
Mar	64.70	65.13	65.00	64.70
May	65.10	65.85	65.10	65.10

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	113.00	109.55	113.50	110.00
Mar	112.55	109.60	113.50	110.50
May	113.80	111.50	114.25	112.60
Jul	114.25	112.70	115.30	114.00
Sep	115.00	113.70	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 8	Jan 7	mnth ago	yr ago
1709.5	1707.4	1718.9	[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan.7	Jan.4	mnth ago	yr ago
Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	128.04	[illegible]	[illegible]	[illegible]

Chicago

[illegible]ABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	553/4	566/6	567/0	[illegible]
Mar	564/2	577/2	579/2	563/4
May	577/6	591/0	592/4	577/0
Jul	590/6	603/6	605/4	590/4
Aug	594/4	606/4	606/0	594/4
Sep	594/6	605/0	605/4	594/0
Nov	600/6	607/2	609/0	600/4
Jan	612/4	618/6	620/4	612/4
Mar	624/0	630/4	632/0	624/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	[illegible]	20.45	[illegible]	20.00
Mar	20.22	20.73	20.72	20.20
May	20.62	[illegible]	21.08	20.62
Jul	20.92	[illegible]	21.38	20.90
Aug	[illegible]	[illegible]	21.36	20.90
Sep	[illegible]	21.33	21.35	21.08
Oct	[illegible]	21.34	21.38	21.08
Dec	[illegible]	21.40	21.47	21.20
Jan	[illegible]	21.15	21.30	20.60
Mar	[illegible]	0	21.30	20.80

SOYABEAN MEAL 100 tons; [illegible]

	[illegible]	Previous	High/Low	
[illegible]	[illegible]	[illegible]	169.3	164.4
Mar	166.9	[illegible]	173.8	168.5
May	173.1	[illegible]	177.3	172.6
Jul	177.1	[illegible]	181.0	176.6
Aug	178.5	181.5	182.3	178.5
Sep	[illegible]	182.1	180.0	178.5
Oct	[illegible]	[illegible]	181.6	179.0
Dec	[illegible]	[illegible]	183.5	181.0
Jan	181.2	181.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	232/6	235/4	236/0	232/2
[illegible]	239/4	242/6	243/2	239/0
Jul	[illegible]	248/6	249/2	245/2
Sep	247/2	249/2	249/4	247/2
[illegible]	[illegible]	249/6	249/6	248/4
Mar	[illegible]	256/4	256/4	255/0
May	[illegible]	260/6	259/6	259/2

[illegible]T 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
[illegible]r	251/2	255/6	256/4	250/0
May	260/6	264/6	265/2	259/0
Jul	269/0	271/2	272/0	266/4
Sep	275/6	277/4	279/0	274/4
Dec	288/2	291/6	291/0	286/4
Mar	294/4	297/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	77.05	77.35	77.50	77.00
Apr	76.12	76.47	76.47	76.05
Jun	73.92	74.32	74.35	73.85
Aug	73.02	73.07	73.20	72.95
Oct	72.95	72.95	73.20	72.90
Dec	73.45	73.47	73.75	73.45
Feb	73.50	73.50	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	51.22	50.57	51.70	51.07
Apr	49.37	48.65	49.65	49.05
Jun	54.30	53.22	54.32	53.60
Jul	54.10	52.82	54.15	53.40
Aug	51.85	50.35	51.63	51.25
Oct	47.30	45.80	47.30	46.70
Dec	47.90	46.40	47.90	47.45
Feb	46.25	44.75	46.25	45.75

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	68.72	66.72	68.72	66.72
Mar	67.92	65.92	67.92	67.92
May	68.07	66.07	68.07	68.07
Jul	67.97	65.97	67.97	67.97
Aug	65.82	63.82	65.82	65.80

LONDON STOCK EXCHANGE

Nervous ahead of the Geneva talks

LONDON [redacted] yesterday joined in the nervous reaction of other [redacted] markets ahead of today's crucial meeting in Geneva [redacted] Gulf situation between the [redacted] secretary of state and the Iraqi foreign minister. The FT-SE Index [redacted] its [redacted] fall [redacted] close below the 2,100 mark for the first time since November 19.

The Footsie jousted with 2,100 early [redacted] when it showed a 17.8 loss. London rallied behind a somewhat irregular opening [redacted] Wall Street, which was 6.4 Dow points lower in London hours. The final reading put the FT-SE Index at 2,099.9, [redacted] decline of 13.4 on the day.

While [redacted] business remained subdued, a handful of special situations helped trading [redacted] creep above recent dismal levels. Seaq volume totalled 376.1m shares, against [redacted] in the previous session.

In view of the substantial falls overnight in both the Tokyo and New York stock markets, London's opening setback of 13.5 on the Footsie was *not unduly surprising. The UK market was still sustained to* some extent by belief that domestic interest [redacted] would be cut before the recession has bitten too deeply into the UK economy. A modest firming in the sterling [redacted] rate [redacted] terday [redacted] some encouragement [redacted] such views.

Share price changes [redacted] mostly small and often appeared to be little more than readjustments of existing quotations in the light of a thinly traded market. Store issues managed [redacted] smattering of small gains [redacted] traders digested reports on *Christmas trading, which appears* [redacted] *have been no* better than had been feared but [redacted] bringing any new disaster [redacted] the stock market. Brewery shares [redacted] ahead in places.

However, across [redacted] broad [redacted] *of the market the picture* remained gloomy. The [redacted] tional blue chips [redacted] Monday's [redacted] ery as [redacted] kept [redacted] nervous eye on the Wall Street market when it opened with [redacted] news that Pan Am, the US airline, *had filed for protection under Chapter 11 of the US bank*ruptcy code.

The banking sector was still [redacted] of favour, with the market taking a negative view [redacted] the disposal by TSB of [redacted] Target insurance subsidiary; TSB's results are due [redacted]

In spite of a [redacted] *firming* [redacted] *North Sea crude oil prices,* [redacted] *support for oil* shares which, like other leading [redacted] of the London market, eased after the opening of the new [redacted] on Wall Street. There [redacted] some selling [redacted] mah Castrol after a leading UK house *took a new look* [redacted] the *stock.*

Among the [redacted] activity [redacted] Pilkington, the flat [redacted] producer, which moved up in early trading [redacted] market tales of an impending bid, *perhaps from Hanson Trust* [redacted] *BTR, circulated anew.* However, there were no new developments and the activity in the shares died away. In fact, later a line of stock in BTR was placed in the market.

The revival of takeover speculation came after news that *William Cook had offered £40m for Telfos, a manufacturer of* rolling stock.

The London market is currently suffering from a "buyers' strike" ahead of the UN deadline [redacted] January [redacted] for [redacted] withdrawal from [redacted] and from [redacted] steady growth in recessionary news from [redacted] *domestic* [redacted] *sector,* according to Barclays [redacted] Zoete Wedd, the [redacted] investment bank. But BZW repeats its comment that UK equities [redacted] currently [redacted] valuation levels [redacted] are historically [redacted]

Account Dealing Dates		
*First Dealings:		
Dec [redacted]	[redacted] 14	[redacted] 28
Option Declarations:		
Jan 10	Jan 24	[redacted]
Last Dealings:		
Jan 11	[redacted] 25	Feb 8
Account Day:		
Jan 21	[redacted]	[redacted] 18

*New-time dealings may take place from 8.30 am two business days earlier.

Burmah hit by downgrade

A HEFTY *profits downgrade* by Mr [redacted] Clayton [redacted] Smith New Court's oil [redacted] ground from underneath Burmah Castrol, [redacted] oil [redacted] which recently won [redacted] hard-fought takeover [redacted] of specialty [redacted] Foseco.

Burmah Castrol shares dropped swiftly [redacted] news of [redacted] downgrade filtered into the market, retreating [redacted] point before regaining [redacted] and closing [redacted] net 20 lower at 477p. Turnover, minimal [redacted] the session, quickly expanded during [redacted] afternoon and reached 2m by the close.

For 1990 the Smith analyst [redacted] *forecast* [redacted] income from [redacted] 1991 he lowered [redacted] expectation from [redacted] accepting [redacted] quality of [redacted] product, you have [redacted] *make allowances* [redacted] *deteriorating and gloomy* [redacted]nomic outlook [redacted] 1991," [redacted] Mr Clayton, [redacted] pointed [redacted] Burmah Castrol had [redacted] been altered [redacted] months [redacted] its bid [redacted]

Diverse views

There was [redacted] ity in British Steel after investment analysts expressed contrasting *opinions about future profits and dividend prospects.* Turnover reached the high level of 6.1m shares as the stock encountered two-way pulls before closing a penny off on the day at 115p, after 113p.

Smith New Court and County NatWest agree that the *dividend remains the key.* However, Smith is beginning to query the group's avowed policy of a progressive dividend policy as reflected in its privatisation prospectus. *Smith believes the dividend could be barely covered next year, even if it is merely maintained.* The [redacted] may [redacted] downside potential, [redacted]

County [redacted] six months will [redacted] tougher [redacted] originally expected *for* [redacted] Steel, [redacted] has downgraded profits estimates. But the inve[redacted]t bank [redacted] to hold the view that [redacted] will be able [redacted] maintain progressive dividend payments. It remains a buyer of the stock.

Expectations also vary sharply on profits, particularly those for 1991/92, with Smith forecasting only [redacted] previously £322m, and County going for £400m, down from £440m.

Pilkington rise

Pilkington, the [redacted] facturer, [redacted] attract [redacted] two-way trade as the mar[redacted] responded [redacted] numerous speculative stories. Initially there [redacted] a 210p a share bid from BTR, which holds [redacted] cent [redacted] imminent. No [redacted] was forthcoming [redacted] Pilkington shares, pushed up [redacted] at first, [redacted] *close only* a net [redacted] ahead [redacted] 187p. Turnover [redacted]

[redacted] analyst [redacted] that [redacted] he had to take a stab at a potential predator for Pilkington he would go for RTZ, one of the *world's largest mining groups.* "They would make a good fit," he commented. BTR is thought [redacted] have been adding [redacted] stake, last revealed [redacted] 4.08 per cent, [redacted] have [redacted] until [redacted] *above* [redacted] sugg[redacted] yester[redacted] RTZ had bid BTR [redacted] in Pilkington.

Hammerson down

Hammerson, the UK's third biggest property company, was one of the worst performers in the FT-SE 100 in the wake of a sell recommendation from UBS Phillips & Drew and a perception in the market *that persistent low trading volume* in the stock has undermined the credibility [redacted] bid talk.

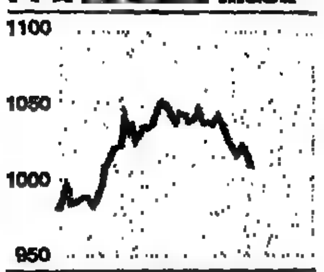
UBS, which has long been positive on Hammerson, was particularly concerned by the *company's overseas portfolio. The property markets in* Australia, Canada and the US were said to be "in deep trouble". The broker's new net asset value of 915p, cut from 950p, compares with figures of less than £9 from some other securities houses.

The bid speculation arose from an article in a Hong Kong newspaper in November which said that Hong Kong Land was looking to buy a *foreign* company.

Hammerson "A" ended [redacted] the day's low of 807p, a net fall [redacted] 16. Turnover came to 153,000 [redacted]

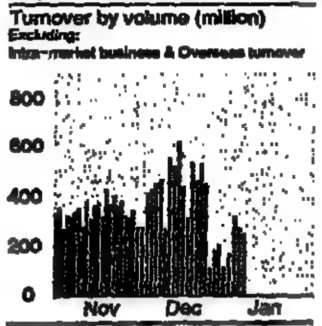
A press feature on the progress made by researchers into Aids drugs left Wellcome 14 lower at 406p. Wellcome makes the world's only approved Aids treatment, Retrovir.

FT-A [redacted] Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



BTR eased 5 to 310p in heavy turnover of 11m shares, largely accounted *for, according to* traders, by a placing of 5m by Cazenove. The placing was said to be at 305p, the bid price quoted by several houses at last night's close.

Rothmans bounced 8 to 715p *in the stock's customary light* [redacted] volume. It had fallen steadily from [redacted] since [redacted]uary 2.

The 27 [redacted] fall last month in new car registrations from the [redacted] December was yet a *further* [redacted] *factor* for automotive and kindred shares. Lucas Industries gave up 3 more at 129p, while Lex Service lost 4 to 180p and Avon Rubber [redacted] similar amount to [redacted]. However, [redacted] notable exception was GKN, which *out*performed not only the motor [redacted] but also most [redacted] alpha stocks with an improvement of 4 to 320p.

Distributor issues, too, retreated to lower levels as County NatWest said "trading [redacted] *for* the motor dealers will only improve when interest rates make a sustained downward movement".

The problems sweeping the American east coast banking arena remained a depressing factor for the [redacted] banks. Barclays dropped [redacted] to [redacted] on 2.5m, while the [redacted] its Target subsidiary [redacted] imminent results kept the [redacted] TSB, which slipped 1¼ to [redacted]. There [redacted] spread losses throughout the [redacted] the market.

Guinness [redacted] most sought after [redacted] as brokers *continued* [redacted] recommend switching [redacted] of [redacted] Allied Lyons. Guinness [redacted] 4 to [redacted] while Allied [redacted] 3 to 474p.

USM-quoted Wiltshire Brew[redacted] receivership [redacted] dropped 18 to [redacted] after announcing [redacted] departure [redacted] its managing director and forecasting a loss [redacted] year.

[redacted] strongest performance [redacted] *the electricity* [redacted] came *from London* [redacted] moved up 3½ [redacted] 141p after [redacted] demand generated by BZW. Turnover [redacted] London [redacted] a higher than usual 5.9m shares. The Electricity Package briefly dipped below £1450 but quickly rallied to close unchanged on balance at the £1450 level.

Telfos Holdings, a diversified company and manufacturer of *rolling stock which said only last week that it could not pay* the preference dividend, recovered sharply on a takeover bid. William Cook is offering to exchange shares plus cash for each share of Telfos, which *climbed 15 further yesterday to 125p; last Friday they stood at* 100p. Wm Cook (5 off at 232p) already holds 6.87 per cent of the Telfos equity.

Glynwed International conceded more ground to 207p, *down 4, in the wake of sell advice* from BZW, while Carclo Engineering dipped 4 to 115p after warning of deteriorating trading conditions since the close of the interim period, the profits for which were announced [redacted] *Monday.*

Goode [redacted] 5 to 78p on news of [redacted] interim profits and a forecast that second half trading would be even more difficult.

Norex, the shipping and insurance group, slipped 12 to *95p after an early mishandled* sell order depressed the shares to their lowest level since the begining of December.

Astec [redacted] dropped alarmingly to close 5 off at 14p after recent profits downgrades and [redacted] replacement [redacted] the [redacted] executive.

Unilever weakened 6 to 868p after UBS Phillips & Drew lowered its 1990 forecast by £30m [redacted] £1.795bn and cut its current year estimate by £35m to £1.915bn. UBS said increased marketing costs, lower exceptional items and the effect of a weaker pound would lower profitability.

An early burst [redacted] in Ranks Hovis McDougall pushed the [redacted] 3 [redacted] 305p on speculation that Hanson may be interested in Sunningdale's 28.5 per cent [redacted]. But *RHM* [redacted] the day and eventually [redacted] lower at 300p. RHM has climbed [redacted]eadily from 275p following [redacted] final results [redacted] the end of [redacted]

Tate & Lyle was supported following a [redacted] with [redacted]rities analysts and institutional [redacted] the [redacted] that [redacted] had [redacted] good [redacted] year, while [redacted] operations were performing well. The [redacted] finished [redacted] lower at [redacted]

Asda was [redacted] penny [redacted] 118p [redacted] 2.2m [redacted] changed [redacted] interim results due today. Analysts expect profits of £55m to £62m, against £83.5m last time. If the predictions are correct, full year forecasts of around £180m may have to be scaled down slightly, analysts said.

A single seller of Carlton Communications left the shares 13 lower at 364p. Turnover was a steady 1.5m.

USM-quoted Crown Communications, which owns LBC, [redacted] speech-based commercial radio station, and a 20 [redacted] GWR, [redacted] local radio station in the west of England, fell [redacted] to 41p. Barclays *Bank said it had reduced* [redacted] *the* [redacted] *to* [redacted] than [redacted] per cent, the [redacted] which such holdings have [redacted] be made public.

Sheraton Securities [redacted] buying [redacted] investors in penny stocks. The shares firmed ⅛ to 1⅛p [redacted] 1.2m changed hands. "It is an interest rate play," explained a trader.

The [redacted] paid [redacted] attention [redacted] the gloomy performance of international equities than [redacted] crude [redacted] markets, where February Brent moved up [redacted] 50 cents to [redacted] around $26.55 [redacted] barrel.

[redacted] activity in oil shares, Burmah apart, [redacted] painfully thin. Turnover in BP failed [redacted] reach 1m, a level usually reserved [redacted] restricted [redacted] such as Christmas and New Year's Eve. BP shares settled 2 off at 323p.

Calor lost 5 to 235p in the wake of a profits downgrade by County [redacted] After a visit to Calor, County reduced [redacted] net income from £31m [redacted] £26m, and for 1991 [redacted] from £40m. County said the reasons for the downgrade were "depressingly *familiar;* warm weather (4 per cent warmer even than 1989 and 18 [redacted] cent milder than the 20-year average) compounded by [redacted] sharp rise in raw material costs".

Shell [redacted] spite [redacted] good support generated by [redacted] buy recommendation [redacted] by Hoare [redacted] Mr Nick Antill [redacted] Hoare [redacted] Dutch/[redacted] is held in Royal Dutch or Shell Transport, as the core holding for the industry, and recommended that the stock should be the largest part of an investor's exposure to the oil sector.

[redacted] Other [redacted] including the FT-Actuaries share index, Page 22

FINANCIAL TIMES STOCK INDICES

	Jan 8	Jan 7	Jan [redacted]	Jan [redacted]	Jan 2	Year Ago	1990/91 High	1990/91 Low	Since compilation High	Since compilation Low
Government Secs	[redacted]	[redacted]	82.96	82.91	82.17	83.37	84.20	74.13	127.4	49.18
Fixed Interest	90.97	90.93	90.91	[redacted]	[redacted]	92.63	92.91	83.80	105.4	[redacted]
Ordinary [redacted]	[redacted]	[redacted]	1659.5	[redacted]	1655.7	1856.5	1968.3 (3/1/90)	1510.4 (24/9/90)	2008.6 (5/9/89)	49.4 (26/6/40)
[redacted]	[redacted]	167.6	[redacted]	156.6	[redacted]	318.1	378.5	[redacted]	734.7	[redacted] (28/10/71)
[redacted]	2099.9	2113.3	[redacted]	2117.8	[redacted]	2436.3	[redacted]	1990.2	2463.7	986.9
FT-SE Eurotrack 100	918.79	925.46	947.24	[redacted]	931.10	-	1003.35	918.79 (8/1/91)	[redacted] (6/12/90)	[redacted] (8/1/91)
Ord. Div. Yield	5.85	5.81	[redacted]	5.81	5.79	4.36				
Earning Yld % (full)	12.12	12.11	12.03	12.11	12.05	10.63				
P/E Ratio(Net)(*)	9.92	9.98	10.04							
SEAQ Bargns 4.45pm	30,062	[redacted]	[redacted]	[redacted]	26,726	[redacted]				
Equity Turnover(£m)†		518.58	[redacted]	640.27	[redacted]	[redacted]				
Equity Bargains†		[redacted]	[redacted]	32,609	[redacted]	33,053				
Shares Traded (mi)†		258.3	284.6	317.9	193.9	414.5				

Ordinary Share Index, Hourly changes — Day's High 1640.3 — Day's Low 1628.2

[redacted]	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1632.9	1630.5	1634.0	1640.3	1637.5	1637.3	1638.8	1637.5	1638.2

FT-SE, Hourly changes — Day's High [redacted] — Day's Low 2095.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2099.8	2097.2	2098.9	2103.1	2101.1	2100.6	2100.5	2100.5	2101.2

FT-SE Eurotrack 100, hourly changes — Day's High [redacted] — Day's Low 917.97

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
917.97	918.51	919.95	920.69	[redacted]	919.86	[redacted]

Basis [redacted] Govt Secs 15/10/26, Fixed Int 1928, Ordinary 1/7/35, Gold Mines 12/9/55, [redacted] 1000 FT-SE 100 [redacted] Eurotrack 100 31/12/90. [redacted]

GILT EDGED ACTIVITY

Indices*	Jan 7	Jan 4
Gilt Edged Bargains	93.6	99.4
5-Day average	70.9	[redacted]

*SE Activity [redacted] †Excluding [redacted] business & Overseas [redacted]

London report and [redacted] index: Tel. 0898 [redacted]

TRADING VOLUME [redacted] MAJOR STOCKS

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
BP	552	[redacted]	-2	Inchcape	433	527	-8	Rolls Royce	2,000	198		Unilever	375	868	-6
British Steel	[redacted]	[redacted]	-1	Kingfisher	479	369	+1	Rothmans	[redacted]	715	+8	United Biscuits	1,300	324	-2
[redacted]	2,400	277		Ladbroke	3,100	240	-4	Ryl Bk. Scotland	[redacted]	186	-2	[redacted]	237	280	-2
Bunzl	[redacted]	87		Land Securities	234	511	-2	Royal Insurance	[redacted]	378	-1½	[redacted]	[redacted]	C2808	-2
Burmah Castrol	2,000	477	-20	Laporte	23	477	+4	STC	[redacted]	323	-1	Wellcome	[redacted]	406	-14
[redacted]	[redacted]	78	-2	Legal & General	352	369	-5	Saatchi	[redacted]	36		Welsh Water	[redacted]	277	
Cable & Wire	[redacted]	445	-4	Lloyds Abbey	1,400	518	-5	Sainsbury	[redacted]	307	-2	Wessex Water	255	282	-2
Cadburys	586	324	+2	Lloyds Bank	856	283	-7	Scottish & New.	[redacted]	385	-1	Whitbread 'A'	611	435	
Calor Group	[redacted]	235	-5	LASMO	1,400	589	-1	Sears	[redacted]	85	+1	[redacted]	2,300	179	-2
Carlton Comms.	1,500	[redacted]	-13	London Elect.	5,900	141	+3½	Sedgwick	[redacted]	228	-1	Williams Hldgs.	367	290	
Coats Viyella	[redacted]	[redacted]		Lonrho	1,400	205	-1	Seeboard	[redacted]	139	-2	Willis Corroon	828	266	-2
Comm Union	[redacted]	447	-4	Lucas	1,900	129	-3	Severn Trent Water	[redacted]	240	-2	Wimpey	836	189	-3
Cookson	68	[redacted]		MS Caradon	5,900	165	+1	Shell Transport	[redacted]	446	[redacted]	Yorkshire Elect.	2,400	151½	+1½
Courtaulds	1,700	[redacted]	-6	MEPC	94	480	-3	Siebe	[redacted]	324	[redacted]	[redacted]	98	274	+1
Dalgety	192	[redacted]	-4	Manpower	271	94		Slough Ests	88	220	-4				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (5).
BRITISH FUNDS (3) INDUSTRIALS (1) De La Rue, LEISURE (1) TRUSTS (1)
NEW LOWS (159).
AMERICANS [redacted] BANKS (6) [redacted] BUILDINGS [redacted] CHEMICALS [redacted] (1) ELECTRICA[redacted] (10) ELECTRICITY (5) ENGINEERING [redacted] FOODS (3) HOTELS (1) INDUSTRIALS [redacted] Assoc. Farmers, Avon Rubber, B H. Prop., BTR Warrants 1994-96, [redacted] Invs., Business Technology, [redacted] Inds., [redacted] & [redacted] Doctus, Dieves, Goode Durrant, Hanson Warrants, ISA [redacted] Kelsey Inds., [redacted] Powell Duffryn, [redacted] Appointments, Shanks & McEw[redacted] Tamaris, United Uniform [redacted] LEISURE [redacted] MOTORS (6) NEWSPAPERS [redacted] PAPERS (4) PROPERTY (11) TRANSPO[redacted] TRUSTS (53) OILS (3) MINES (2) [redacted] MARKET (1).

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
99¼	97¼	Treas 11¾pc 1991	99¾		11.78	[redacted]
[redacted]	[redacted]	Funding 5¾pc '87-91	98½	+1/16	5.84	[redacted]
[redacted]	[redacted]	Treas 3pc 1991	97⅛		3.08	[redacted]
[redacted]	[redacted]	Treas 10pc Cv '91	99		10.10	[redacted]
[redacted]	[redacted]	Exch 11pc 1991	99¼		11.08	[redacted]
97⅞	90⅞	Treas. 8pc 1991	96⅞	+1/16	8.25	11.60
101⅞	97	Treas 12¾pc 1992	101		12.62	11.69
98	[redacted]	Treas 10pc 1992	98⅜	+⅛	10.17	11.65
[redacted]	[redacted]	Treas. 8pc 1992	96⅛	+⅛	8.32	[redacted]
[redacted]	[redacted]	Treas 10½pc Cv 1992	98	+⅛	10.41	[redacted]
[redacted]	[redacted]	Treas. 3pc 1992	91	+⅛	3.28	[redacted]
101	9[redacted]	Exch. 12¼pc '92	101	+⅛	12.11	11.49
104	9[redacted]	Exch 13½pc 1992	103	+⅛	13.07	11.32
94	8[redacted]	Treas 8¼pc 1993	94	+⅛	8.71	11.14
[redacted]	[redacted]	Treas 10pc 1993	97	+⅛	10.22	11.13
[redacted]	[redacted]	Treas 12½pc 1993	103	+⅛	12.13	11.12
92	82	Funding 6pc 1993	89	+⅛	6.68	10.29
107	[redacted]	Treas 13¾pc 1993	106	+⅛	12.93	11.12
94	84¼	Treas. 8½pc 1994	93⅝	+⅛	9.08	11.04
111	102	Treas 14½pc 1994	109	+⅛	13.23	10.64
107¾	99	Exch 13½pc 1994	106	+⅛	12.64	10.99
98	88	Treas. 10pc Ln. 1994	97	+⅛	10.24	10.87
[redacted]	[redacted]	Exch. 12½pc 1994	104	+⅛	11.97	[redacted]
94	85	Treas 9pc 1994	94	+⅛	9.54	10.86
104	94	Treas 12pc 1995	103	+⅛	11.57	10.86
87	73	Exch 3pc Gas 90-95	83		3.60	7.56

BRITISH FUNDS—Contd

Index-Linked

1990/91 High	1990/91 Low	Stock	(b)	Price £	+ or -	(1)	(2)
126	110¾	Tr. 2pc '92	(97.8)	126	+¼	2.20	4.32
116	103¼	Do. 2 '94	(102.9)	115¾	+¼	3.16	3.91
171	150¾	Do. 2pc '96	(67.9)	169	+¼	3.32	3.78
140	123½	Do 2½pc '01	(78.3)	138	-¼	3.93	4.20
136	119¾	Do. 2½pc '03	(78.8)	134	-¼	4.00	4.24
137	122	Do. 2pc '06	(69.5)	136	-¼	4.05	[redacted]
127	113	Do. 2½pc '09	(78.8)	125	+¼	4.06	[redacted]
131	117	Do. 2½pc '11	(74.6)	129	-¼	4.06	[redacted]
108	97¾	Do. 2½pc '13	(89.2)	106	-¼	4.05	[redacted]
116	105	Do. 2½pc '16	(81.6)	114⅞	-¼	4.01	4.15
113	102	Do. 2½pc '20	(83.0)	111	-¼	3.98	4.11
95	86	Do. 2½pc '24	(97.7)	[redacted]	-¼	3.93	4.05

Prospective real redemption rate on [redacted] *of (1) 10% and (2) 5%. (b)* [redacted] *in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1990: 125.1 and for November 1990: 130.0.*

INT. BANK AND O'SEAS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100¾	[redacted]	African Dv [redacted] 11¼Ln 2010	[redacted]	-⅛	11.47	11.51
98	80	Asian Dev Bk 10½pcLn2009	92	-⅛	11.04	11.17
110	80	Int-Am Dev Bk 12½pc 2003	107	-⅛	11.66	11.39
91	78	Do. 9¾pcLn 2015	87	-⅛	11.08	11.20

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
14⅛	524p	Chem. Banking Corpn.	570p	-18	$1.00	-	8.9
12½	5⅛	Chrysler $6¼	6⅛		$1.20	-	9.4
18⅛	5⅞	Citicorp $1	6⅞		$1.00	-	7.5
40⅞	29¼	Colgate-Palmolive $1	34⅞		$1.80	-	2.5
12¾	386p	Cont'l Bank Corp $4	439p	-19	$1.00	-	11.5
268p	51p	Corporate Data Sens.	51p				-
22½	10¼	Dana Corp. $1	14⅞	-⅛	$1.60	-	5.7

CANADIANS

Continued on next page

APPOINTMENTS

Non-executive directors of NatWest

■ NATIONAL WESTMINSTER BANK has appointed [redacted] non-executive directors *Mr Graeme A. Elliot,* executive [redacted] chairman of Slough Estates, and Sir Brian Hill, executive chairman [redacted] and Hill.

■ *THE FOREIGN AND COLONIAL INVESTMENT TRUST* has appointed Lord Rockley and Mr A.C. Barker to the board. Lord Rockley is vice chairman of Kleinwort Benson Group, and Mr Barker is director, North *American* investments, at Foreign & Colonial Management.

■ Mr Roger Williams has been appointed deputy managing director and financial director of TUBULAR EDGINGTON. He is a director of Roundel Exhibitions, and MSE (International), which have been acquired by Tubular.

■ *ERNST & YOUNG* has appointed Mr Tim Curry as partner in charge of the business management practice.

■ CAIRD GROUP has made the following changes. Mr John Ashton, a non-executive director, has been appointed non-executive chairman. Until his retirement in 1989 he was group finance director of Coats Viyella. Mr Lionel Ross becomes a non-executive director. *He was finance director at* Whitbread. Mr Steven Hynes has been appointed director, special waste division, Caird Environmental.

■ *STOY* [redacted] has appointed Mr Stephen Davis and Mr Gervase MacGregor as partners.

■ SACH AND PARTNERS, City-based *aircraft financing* specialist, has appointed [redacted] Ann Wilcox as a senior manager with responsibility for the foreign exchange and [redacted] aspects [redacted] financings. She was with *Morgan Guaranty* Bank.

■ LTG, part of the JOHN LAING GROUP, has appointed Mr Robert W. Hamnett as [redacted] of design, LTG Northern, *Manchester.* He was general *manager* and is succeeded by Mr Steve *Thomson* [redacted] principal structural engineer.

■ Mr John Spanswick, managing director of BOVIS CONSTRUCTION's "T" division, [redacted] appointed managing director of Bo[redacted] Renewal. *Both* companies are owned by P&O.

■ [redacted] NATIONAL APPROVAL COUNCIL FOR SECURITY [redacted]STEMS, which will regulate installers and began operations on [redacted]uary 1, has appointed Sir Lawrence Byford as chairman. He was chief inspector of constabulary. Mr Michael Vann becomes [redacted] executive. He was director general of the national Supervisory Council for Intruder Alarms.

■ Ms [redacted] Sutcliffe [redacted] appointed [redacted] SOTHEBY's [redacted] department.

■ Mr Nicholas Gordon John Sharp becomes deputy chairman of DUNCAN LAWRIE.

■ Miss Suzie Procter has been appointed head of international fixed income [redacted] MIDLAND MONTAGU ASSET MANAGEMENT. Miss Dinah McKenzie becomes responsible for European equity investment, succeeding Mr Tom Grendale who has reti[redacted]

■ *Miss Christine Holdroyd* [redacted] *been appointed* a non-executive director of ANGLIA TELEVISION. She [redacted] personnel and industrial relations consultant.

■ DEN NORSKE BANK, London branch, has promoted *Mr Ronald Thurlow, head of* equity [redacted] *to deputy general manager.* Mr Dimitri Antonatos, senior member, shipping department, and Mr Robert Barber, head, credit services department, are promoted [redacted]

■ [redacted] ELECTRONICS [redacted] promoted Mr John Cowling [redacted] marketing director from *marketing manager;* and Mr [redacted] Rodwell [redacted] sales director (ECR division) from [redacted]

■ Mr Bryan Weston has become chairman of THE NATIONAL GRID HOLDING. He remains chairman of [redacted]

■ Mr Roland Green, for 30 years managing director of ROLATRUC, has been promoted to deputy chairman. He is succeeded by Mr Dan Hoij, [redacted] Swede, who moves from Canada where he was executive vice president of BT Systems Inc.

■ *J.H. MINET & CO has* appointed Mr Patrick Miller as deputy managing [redacted] American property and energy division.

BAXTER OF SPEYSIDE, *soups and pickled beetroot maker,* has appointed [redacted] Audrey [redacted] *(pictured)* to the board.

هكذا من الأصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. Share Code Booklet ring the FT Cityline help de

BANKS, HP & LEASING

1990/91 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro Fl5	£9¾	.....	Q28%	2.1	8.9	5.3
303	122	ANZ $A1	122	.....	Q38c	♦	12.7	♦
234	172	Abbey National 10p	223	−3	5.7	4.2	3.4	9.0
•274	128	Allied Irish Ord.	138	−2	‡Q40%	3.3	6.9	5.9
85	47	Anglo Irish	55	−2	Q18.6%	2.3	7.6	7.2
93	60	Ansbacher (H.) 1p	68	.....	2.5	1.3	5.6	17.3
£71½	£32½	Bancaire Cie Fr100	£42½	−1½	‡Q12¼%	–	3.1	–
£22¼	£12¼	Banco Bilbao Viz.	£13¼	.....	Q49.1%	2.7	6.1	9.0
£58½	£23¼	Banco de Santander	£23¾	.....	Q24.7%	2.5	4.2	9.5
286	130	Bank Ireland Ir£1	142	.....	Q14.7%	2.9	9.3	5.0
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
129½	100	Bank Scotland	118	+1	†4.55	3.4	5.2	[illegible]
101¼	83¼	Do. 9¼pc Irrd Pf.	97¼	.....	9¼%	–	12.6	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	345	−3	‡19.57	3.5	7.6	4.8
22	10	Benchmark 20p	11	.....	0.75	–	9.1	–
335	195	Brown Shipley £1	195	−6	‡12.0	2.2	♦	6.3
•435	285	Cater Allen £1	389	.....	F24.5	–	8.4	–
179	29	Chancery	44	.....	‡9.0	2.7	♦	1.8
£23¼	£14	Commerzbk DM10	£15¼	+½	Q18%	–	4.0	–
£13¼	620	Dai Ichi Kbk Y50	750	−12	Q17%	–	0.5	35.4
£33¼	£18¾	Deutsche Bk DM50	£197¼	−1½	Q28%	6.2	2.4	–
£20¾	£14¾	Espirito Santo	£16½	.....	Q75c	–	2.3	8.5
253	166	First Nat. Fin. 10p	173	−5	13.0	5.1	10.5	♦
121	82	FNFC 6.3pc Cv. Pf.	84	−2	6.3%	♦	9.8	–
£23¼	633	Fuji Bank Y50	695	−55	‡Q17%	–	0.4	38.0
325	262	Gerrard & National	314	−1	19.0	6.9	8.1	–
154	70	Guinness Mahon 10p	78	−3	1.45	–	2.8	–
328	194	Hambros 20p	228	−4	†11.5	♦	6.7	♦
128	88	Do. 7.5pc Cv Pf	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

Allied-Lyons, Amstrad, Asda (BSR), BAT, BOC Grp., BTR, Barclays, Beecham, Blue Circle, Boots, Bowater, Brit. Aero., Brit. Telecom, Burton, Cadburys, Charter Cons., Comm. Union, Courtaulds, Eurotunnel, FNFC, Gen. Accident, GEC, Glaxo, Grand Met., Guardian, GKN, Hanson, Hawker Sidd., ICI, Ladbroke, Legal & Gen., Lex Service, Lloyds Bank, Lucas Inds., Marks & Spencer, Midland Bk., Nat. West Bk., P & O Dfd., Racal Elect., RHM, Rank Org., STC, Sears, Smith Beecham A, Tesco, Thorn EMI, Trust Houses, T&N, Unilever, Vickers, Wellcome

Property

Brit. Land, Land Securities, MEPC, Mountleigh

Oils

Brit. Petroleum, Burmah Castrol, Charter Cons., Enterprise, Lasmo, Premier, Shell, Texaco, Ultramar

Mines

Lonrho, RTZ

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,250 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Brown Shipley & Co Ltd (1000)F

Confederation Funds Mngt Ltd (1200)F

Consistent Unit Tst Mngt Co Ltd (1200)F
1 White Hart Yd, London Bridge SE1 1NX 071 407 5966

GT Unit Managers Ltd (1200)H
8th Floor, 8 Devonshire Sq, London EC2M 4YJ

Kleinwort Benson Unit Trusts - Contd.

Mayflower Management Co Ltd (1200)F
PO Box 249, Beckenham, Kent BR8 4WA 081-663 3111

Medical Investments Ltd (1100)F
94 White Ladies Rd, Bristol BS8 2QX 0272 237595

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

NM Unit Trust Mngrs - Contd.

Save & Prosper Group - Contd.

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlng 031-220 4924

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)	5¼	74.79	74.79	79.39	-1.22	0.53
Income & Growth	5¼	50.87	50.87	54.00	-0.5	5.95
European	5¼	47.50	47.50	50.42	-0.96	1.16
Nth American	5¼	29.46	29.46	31.27	-0.25	1.68
Intl Growth	5¼	49.02	50.07	53.15	-0.89	0.95
UK Growth	5¼	45.60	45.60	48.40	-0.23	3.57
Intl Income	5¼	40.83	41.33xd	43.87	-0.38	7.41
High Yield	5¼	39.32	39.84xd	42.29	-0.32	8.70
Charities	5¼	78.95	80.07	85.00	-0.62	7.19
Japan	5¼	31.86	31.86	33.82	-0.6	—

Matheson Unit Trust Managers Ltd (1200)H
Admin. 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth	6	57.54	57.54	61.94	-0.28	4.01
UK High Income	6	30.02	30.02	32.11	-0.35	6.29

NM Unit Trust Mngrs (1200)H
The Blilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

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TSB Unit Trusts (1200)H
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	103.61	103.61	110.22	-2.35	0.8
Do Accum	6	113.26	113.26	120.48	-2.57	0.8
TSB Brit Growth	6	62.57	62.57	66.56	-1.65	4.07
Do Accum	6	69.18	69.18	73.59	-1.82	4.07
TSB European	6	62.53	62.53	66.52	-0.35	1.35
Do Accum	6	64.8	64.8	68.93	-0.36	1.35
TSB Extra Income	6	137.03	138.65	147.49	-1.16	6.25
Do Accum	6	195.8	196.09	208.6	-1.63	6.25
TSB Smaller Cos	6	37.51	37.51	39.9	-0.99	5.48
Do Accum	6	39.33	39.33	41.84	-1.03	5.48
TSB General	6	191.71	191.71	203.94	-1.97	4.38
Do Accum	6	351.47	351.47	373.9	-3.6	4.38
TSB Premier Income	5	41.8	41.8	43.54	+0.32	9.75
Do Accum	5	73.49	73.49	76.55	+0.55	9.75
TSB Income	6	251.91	257.05	273.45	-2.69	6.1
Do Accum	6	468.3	477.85	508.35	-5	6.1
TSB Pacific	6	184.65	188.11	200.11	-0.58	0.35
Do Accum	6	192.15	195.72	208.21	-0.62	0.35
TSB International	6	316.39	316.39	336.58	-4	1.72
Do Accum	6	405.83	405.83	431.73	-5.19	1.72
TSB Nat Resources	6	54.66	55.86	59.42	+0.4	1.47
Do Accum	6	59.29	60.6	64.46	+0.4	1.47
TSB Slctd Opps	6	66.78	66.78	71.04	-1.5	4.1
Do Accum	6	79.7	79.7	84.78	-1.79	4.1
Environmental Inv	6	39.31	39.31	41.81	-0.27	2.7
Do Accum	6	40.21	40.21	42.77	-0.27	2.7
TSB Selector	6	40.83	41.56	44.21	-0.34	4.79
Do Accum	6	42.08	42.83	45.56	-0.34	4.79
TSB High Income	6	43.4	44.18	46.99	-0.28	6.7
Do Accum	6	44.69	45.48	48.38	-0.29	6.7
TSB Intl Income	6	47.27	47.45	50.47	-0.16	7.03
Do Accum	6	47.27	47.45	50.47	-0.16	7.03
TSB Selector Income	6	44.28	44.83	47.69	-0.19	6.92
Do Accum	6	44.28	44.83	47.69	-0.19	6.92

Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 312156

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	58.84	58.87	62.85	-1.03	1.23
Australia	5	5.035	5.035	5.389	[illegible]	4.95
Equity	5	137.9	137.9	148.2	-1.0	5.19
Euro Spec Sits	5	91.22	91.22	97.99	-0.75	0.70
Financial	5	24.20	24.20	26.10	-0.30	5.72
Global Opps Inc	5	54.46	54.46	58.63	-0.51	1.82
Global Opps Acc	5	55.64	55.64	59.90	-0.52	1.82
Gold & Gen Inc	5	35.44	35.44	38.14	+0.41	1.44
Gold & Gen Acc	5	66.25	66.25	71.30	+0.86	1.44
Income	5	86.53	86.53	93.18	-0.73	6.87
Japan & General	5	105.1	105.1	113.0	-2.7	0.00
Preference Share	5	17.01	17.01	18.30		14.50
UK Capital	5	75.80	75.80	81.46	-0.81	4.29

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond	99.2	99.2	+0.2	10.89
(Accum Units)	526.0	526.0	+1.1	10.89
NAACIF Dec 31	-	39.5	—	10.30

MIM Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	934.0	1009.0	—	-
Mngd Pens (Acc)	56.7	60.4	—	-

Morgan Grenfell Unit Trust Managers Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Jan 8	110.2	118.1	-1.0	[illegible]
UK Small Co † Jan 8	421.6	463.2	-3.5	[illegible]
Fixed Interest † Jan 8	101.4	106.6	+0.5	[illegible]
US Small Co Jan 8	103.8	111.1	-2.6	[illegible]
Managed Jan 8	92.55	98.42	-3.0	[illegible]
Intl Bond Jan 8	107.4	113.3	+0.4	[illegible]
Japan Jan 8	60.63	64.79	+0.2	[illegible]
European Jan 8	73.93	79.13	-2.7	[illegible]
Nth American Jan 8	78.68	84.52	-2.6	[illegible]

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Exmt Jan 9	39.1	40.6	-1.10	[illegible]
Euro Exmt Jan 9	44.4	46.4	-1.10	[illegible]
Fixed Int Ex Jan 9	44.4	45.6	+0.80	[illegible]
Japan Exmt Jan 9	37.0	38.6	-0.80	[illegible]
Managed Ex Jan 3	38.4	39.9	-0.50	[illegible]
SE Asia Exmt Jan 9	54.4	57.1	-0.40	[illegible]
Sm Cos Exmt Jan 9	27.3	28.6	-0.20	[illegible]
UK Eqty Ex Jan 9	35.5	37.2	-1.10	[illegible]

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Jan 1	589.63	631.9	—	3.97
Do Accum	662.4	709.8	—	3.97
Int Exmt Jan 2	144.80	146.20	—	3.0
UK Index Jan 2	990.8	1012	—	5.76
Do Accum	1059	1080	—	5.76
Convertible Jan 4	80.31	82.94	—	8.83
World ex UK Index Jan 7	637.6	646.1	-1.46	3.07
Do Accum	637.6	646.1	-1.46	3.07
Japan Index Jan 7	510.5	518.0	+0.7	0.57
Do Accum	511.8	519.2	+1.0	0.57
USA Index Jan 7	744.0	762.4	-31.6	3.46
Do Accum	748.9	767.3	-24.1	3.46
Europe ex UK Index Jan 7	746.8	765.4	-21.2	3.26
Do Accum	763.3	782.2	-16.5	3.26
Pacific ex Jap Index Jan 7	697.9	718.9	-2.06	5.76
Do Accum	723.7	745.4	-2.4	5.76
Managed Exempt Jan 2	89.95	91.65	—	5.27
American Exempt Jan 2	103.0	104.5	—	3.7

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid	Offer Price	+ or -	Yield Gross
Life Managed Fd.	89.1	93.8	-0.6	-
Pension Managed Fd.	85.1	89.6	-0.6	-
Life Deposit Fd.	103.5	108.9	+0.1	-
Pension Deposit Fd.	107.1	112.7	----	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	97.6	[illegible]	-0.8	-
Managed Growth	120.3	[illegible]	+2.5	-
Managed Opportunity	116.3	[illegible]	+2.5	-
NFMC Target Financial	85.5	[illegible]	-0.6	-
Pension Funds				
Managed Cautionary	105.6	111.2	-0.6	-
Managed Growth	124.4	131	+1.3	-
Managed Opportunity	116.1	122.3	+0.5	-
NFMC Target Mngd Pen.	1301.7	1370.3	-15.1	-

National [illegible]
The Priory, Priory Pk, [illegible] SG5 2DW 0462 422422

	Bid	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	141.5	149.0	----	-
UK Equity	147.3	155.1	----	-
Overseas Equity	112.2	118.2	----	-
Fixed Interest	133.6	140.7	----	-
Property	126.8	133.5	----	-
Index Linked	143.1	150.7	----	-
Deposit	148.3	156.2	----	-
With Profits (III)	124.5	131.1	----	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid	Offer Price	+ or -	Yield Gross
Managed	303.9	319.9	-2.4	-
UK Equity	379.3	399.3	-3.5	-
Overseas Eq.	283.2	298.2	-3.9	-

Prosperity Life Assurance Ltd
1 Sessions [illegible] Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equ[illegible]	136.5	144.5	-1.0	-
Accum Equ[illegible]	193.0	203.5	-1.5	-
Accum Managed	197.0	208.0	-2.0	-
Accum Five Star	147.5	155.5	-0.5	-
Accum World	106.0	112.5	-0.5	-
Accum Lifetime	100.0	100.0	-0.3	-
Pens Acc Equity	201.0	212.0	-2.0	-
Pens Acc Managed	232.0	245.0	-2.0	-
Pens Acc Intl	164.0	173.5	-2.5	-
Pens Acc Deposit	189.0	199.5	----	-
Pens Acc Five Star	154.5	163.0	-0.5	-

Providence Capital Life Ass. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc.	193.4	204.1	-2.5	-
UK Fixed Int Acc.	165.4	174.5	-0.1	-
Intl Equities Acc.	147.7	155.9	+0.5	-
UK Managed Acc.	154.1	162.5	-1.0	-
Property Acc.	224.0	236.3	+0.4	-
Money Acc.	124.5	131.4	----	-
Special Market Acc.	119.0	125.6	-1.0	-
Japan Equity Acc.	84.5	89.2	-1.7	-
North American Acc.	82.8	87.4	-0.6	-
Pacific Acc.	72.7	76.7	-0.8	-
Technology Acc.	93.4	98.6	+0.7	-
Nat Resources Acc.	54.6	57.6	+2.4	-
European Acc.	87.7	92.6	-1.2	-
Residential Prop Acc.	95.9	101.2	----	-
Swiss Equities Acc.	29.6	31.3	-0.7	-
Hong Kong Acc.	46.6	49.2	-0.1	-
UK High Inc Eq Acc.	[illegible]	66.0	-0.8	-
Int Fixed Interest Acc.	[illegible]	56.4	----	-
Int Managed Acc.	[illegible]	92.5	+0.1	-
HIP Managed Acc.	[illegible]	105.2	+0.8	-
HIP Managed II Acc.	[illegible]	91.4	-0.5	-
Total Investment Bond				
UK Equity Initial		132.3	-1.7	-
UK Fixed Int Initial		113.3	----	-
Intl Equities Initial		100.4	+0.2	-
UK Managed Initial		105.6	-0.6	-
Property Initial		154.6	+0.3	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Gaia Currency Funds

Gartmore Investment Ltd

North Star Fund Managers (Cayman) Ltd

MANAGED FUNDS NOTES

هكرامن الأحمل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar's advance halted

MARKET speculation that the US [illegible] may have [illegible] its monetary stance contributed to a halt in the dollar's recent advance yesterday.

[illegible] was not immediately clear whether the Fed had taken [illegible] decision [illegible] but the [illegible] that [illegible] was no [illegible] the [illegible] York money market, on a day when [illegible] Fed was generally expected to drain liquidity, raised the possibility of a credit easing.

Federal funds were trading [illegible] per cent [illegible] the time when intervention [illegible] Fed had been expected, but then slipped [illegible] cent on lack [illegible] by the authorities.

[illegible] in the Gulf continued to prevent any [illegible] out of the dollar and helped [illegible] currency little changed [illegible] London close, in spite [illegible] about the [illegible] economic situation.

Trading [illegible] ahead [illegible] today's [illegible] talks, [illegible] avoiding conflict in the Gulf, [illegible] US secretary [illegible] state [illegible] Baker [illegible] Iraqi foreign minister Tareq [illegible]

In London [illegible] dollar eased [illegible] DM1.5325; to [illegible] from [illegible] to [illegible] from [illegible] and [illegible] from FFr5.2025. [illegible] Bank of England figures [illegible] to [illegible]

Sterling [illegible] changed overall, but was not the weakest member [illegible] the European Monetary System. Data from the European Commission indicated that the pound had moved off the bottom of the EMS exchange rate mechanism [illegible] the first time since early November.

It was replaced as the weak[illegible] member in [illegible] ERM by the French franc, and was [illegible] slightly [illegible] the Danish krone, but there [illegible] little dif[illegible] between [illegible] curren[illegible] the Italian lira. A recent weakening of the D-Mark [illegible] helped [illegible] reduce pressure within the system.

At the London [illegible] was unchanged [illegible] $1.9060 and DM2.9200. It fell [illegible] FFr9.8975 from FFr9.9150, [illegible] SFr2.4550 [illegible] SFr2.4925 and to Y260.00 from Y260.50, but the pound's index firmed 0.1 to 93.9. Sterling finished in [illegible] York down [illegible] cent [illegible] $1.8960.

The D-Mark continues [illegible] be depressed by concern that German unity will [illegible] expensive and may involve heavy borrowing by the Bonn government. Worries [illegible] the stability [illegible] the [illegible] Union, following news [illegible] Soviet paratroops are [illegible] be sent [illegible] the Baltic republics and the Ukraine, also tended [illegible] undermine [illegible] in the D-Mark.

The German currency declined to [illegible] from [illegible] against the Japanese yen, but remained well above technical support [illegible] the Paris fixing the D-Mark [illegible] modestly [illegible] FFr3.3941 from FFr3.3900, but at [illegible] London [illegible] had [illegible] from FFr3.3945.

In Milan the Bank [illegible] Italy did not intervene when the D-Mark improved to L751.40 from L751.17 at [illegible] fixing, but [illegible] it had retreated [illegible] from L751.70.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 8	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.699	-2.94	3.91	52
Belgian Franc	42.4032	42.2208	-0.43	1.29	24
D-Mark	2.05586	2.04918	-0.32	1.18	25
Dutch Guilder	2.31643	2.31050	-0.26	1.11	15
Irish Punt	0.767417	0.766275	-0.15	1.01	9
Italian Lira	1538.24	1539.49	0.08	0.77	-1
Sterling	0.696904	0.701141	0.61	0.25	-12
Danish Krone	7.84195	7.89696	0.70	0.15	-29
French Franc	6.89509	6.95405	0.86	0.00	-44

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads, the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan 8	Close	Previous Close
£ Spot	1.8955-1.8965	1.9040-1.9050
1 month	1.05-1.04pm	1.11-1.09pm
3 months	2.80-2.77pm	2.86-2.83pm
12 months	8.82-8.72pm	9.05-8.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

POUND SPOT - FORWARD AGAINST THE POUND

Jan 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8975 - 1.9080	1.9035 - 1.9065	1.09-1.07cpm	6.80	2.90-2.85pm	[illegible]
Canada	2.1890 - 2.1970	2.1955 - 2.1965	0.49-0.40cpm	2.43	1.41-1.25pm	[illegible]
Netherlands	3.2935 - 3.3000	3.2850 - 3.2950	[illegible]	4.56	[illegible]	[illegible]
Belgium	60.05 - 60.45	60.20 - 60.30	22-17cpm	3.88	57-50pm	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

Estimated volume 5,447 Total Open Interest 21,511

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
January	[illegible]	1514.0	+10.0	1516.0	1479.0	6,860
February	1491.0	1522.0	[illegible]	1525.0	1491.0	272
March	1501.0	1501.0	-23.5	1501.0	1501.0	210
June	-	-	-	-	-	0

Estimated volume 6,626 Total Open Interest 7,342

BASE LENDING RATES

	%		%		%
ABN Bank	14	Co-operative Bank	*14	Nat Bk. of Kuwait	15
Adam & Company	14	Coutts & Co	14	NatWestminster	14
Allied Trust Bank	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
AIB Bank	[illegible]	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
● Henry Ansbacher	14	Duncan Lawrie	14	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
● B & C Merchant Bank	14	Exeter Bank Limited	14½	Royal Bk of Scotland	14
Bank of Baroda	14	Financial & Gen. Bank	[illegible]	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	First [illegible] Bank Plc.	[illegible]	● Smith & Williamson Secs.	14
Bank Credit & Comm	14	● Robert Fleming & Co	14	Standard Chartered	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	[illegible]	14
Bank of Ireland	14	Girobank	14	Unibank plc	14
Bank of India	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of Scotland	14	● Hambros Bank	14	United Mizrahi Bank	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Unity Trust Bank Plc	[illegible]
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Western Trust	14
Benchmark Bank	14	● Hill Samuel	14	Westpac Bank Corp.	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	[illegible] Laidlaw	14
● Brown Shipley	14	[illegible] & Sharps	[illegible]	Yorkshire Bank	14
CL Bank Nederland	14	● Leopold Joseph & Sons	[illegible]		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	[illegible] Douglas Bnk.	[illegible]		
Clydesdale Bank	14	[illegible] Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		

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MONEY MARKETS

Rates little changed

RATES WERE generally [illegible] on the London [illegible] market yesterday, but [illegible] term funds had a slightly firmer tone, as [illegible] remained [illegible] on [illegible] tion in the Gulf.

Three-month sterling interbank was unchanged at 13⅞-[illegible] per cent, while 12-month money rose [illegible] 13-12⅞ per [illegible] from 12⅞-12¾.

Short sterling had a weaker tone on Liffe, as recent remarks by UK officials have dampened hopes of any early cut in UK bank base rates.

UK clearing bank base lending rate 14 per cent from October 8, 1990

The March contract opened firmer at 87.18. This was the day's high, with it falling to a low of 87.01, stabilising slightly above a technical resistance point of 86.95. March delivery then rebounded a little to finish at 87.07 compared with 87.13 previously.

Day-to-day credit [illegible] in short supply on the London money market. The Bank of England initially forecast [illegible] shortage [illegible] £900m, but revised [illegible] to £1,200m at noon and to £1,250m in the afternoon.

Total assistance of £1,191m was provided. An early round [illegible] help was offered and at that time the authorities bought £109m bank bills in band 2 at 13⅞ per cent. Before lunch another £719m bills were purchased, by way of £83m Treasury bills in band 1 at 13⅞ per cent; £66m bank bills in band 1 at 13⅞ per cent; and £570m bank bills in band 2 at 13⅞ per cent.

In the afternoon £363m bills were bought, via £284m bank bills in band 1 at 13⅞ per cent and £79m bank bills in band 2 at 13⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £212m, with Exchequer transactions absorbing £725m and bank balances below target £160m. These outweighed a fall in the note circulation adding £200m to liquidity.

In Frankfurt call money rose above the Bundesbank's 8.50 per cent Lombard emergency financing rate, climbing to 8.55 from 8.50 per cent. The German central bank offered liquidity [illegible] the [illegible] market via a 28-day [illegible] repurchase agreement at variable bid rates. This was to [illegible] DM30.8bn draining from [illegible] market today as an earlier facility expires.

In Brussels the Belgian National Bank cut the rate on one-month Treasury bills [illegible] 9.85 from 9.95 per cent, but left three-month bills, the main instrument of credit policy, unchanged.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.8) 3 [illegible] US [illegible]		6 months US Dollars	
bid 7⅝	offer 7¾	bid 7½	offer 7⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	9½	One month	5.93	Three year	7.36
Broker loan rate	9	Two month	6.59	Four year	7.61
Fed. funds	4⅞	Three month	6.62	Five year	7.74
Fed. funds at intervention	-	Six month	6.72	Seven year	8.03
		One year	6.74	10-year	8.16
		Two year	7.13	30-year	8.36

Jan.8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.50-8.60	8.90-9.00	9.00-9.15	9.15-9.30	9.25-9.40	8.50
Paris	-	-	-	-	-	9.25
Zurich	7¾-8⅛	8¾-8⅞	-	8⅝-8⅞	-	-
Amsterdam	9.25-9.31	9.35-9.45	-	9.50-9.60	-	-
Tokyo	8⅛-8⅞	8⅛-8⅛	-	8⅛-8⅞	-	-
Milan	12½-12¾	13⅛-13⅛	-	13⅛-13⅛	-	-
Brussels	8.60	9⅞-10	-	9⅞-10	-	-
Dublin	-	11-11⅛	11⅛-11⅛	11⅛-11½	11⅛-11⅞	-

LONDON MONEY RATES

Jan 8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14	14	14⅛	13⅞	13½	13
Interbank Bid	5	13¾	14	13⅞	13⅜	12⅞
Sterling CDs	-	-	14⅛	13⅞	13⅞	12⅞
Local Authority Deps.	13¾	13⅞	14⅛	13⅞	13⅞	12⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	-	13⅞	-	-	-	-
Company Deposits	-	-	14	13⅞	13⅞	12⅞
Finance House Deposits	-	-	14⅛	13⅞	13⅞	13
Treasury Bills (Buy)	-	-	13⅞	13⅞	-	-
Bank Bills (Buy)	-	-	13⅞	13⅞	12⅞	-
Fine Trade Bills (Buy)	-	-	14⅛	13⅞	13⅞	-
Dollar CDs	-	-	7.57	7.57	7.55	7.55
SDR Linked Dep. Offer	-	-	8⅞	8⅞	8⅞	8⅞
SDR Linked Dep. Bid	-	-	8¾	8⅞	8⅞	8⅞
ECU Linked Dep. Offer	-	-	10⅞	10⅞	10⅞	10⅞
ECU Linked Dep. Bid	-	-	10⅛	10½	10⅞	10⅞

Treasury Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; six months 13¼ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; Treasury Bills: Average tender rate of discount 13.0762 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1990. Agreed rates for period Jan 26, 1991 to Feb 25, 1991, Scheme I: 14.54 p.c., Schemes II & III: 15.09 p.c. Reference rate for period Dec 1, 1990 to Dec 31, 1990, Scheme IV&V: 13.843 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from January 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,437 Set by TANTALUS

ACROSS

1 Spoil a contest for Moslem hermit (8)
5 Rank condition (6)
9 Does harp get played by poetry reciter? (8)
10 Warns that slater is working (6)
11 Branch of maths might be grey to me (8)
12 In a word, a void (6)
14 Gingerbread at Westminster? (10)
[illegible] Meeting a pair talking (10)
22 Beat boy back as usual (6)
23 [illegible] gran[illegible] — [illegible] realms of rhyme" (Byron) (8)
24 Worker joins the Spanish composer (6)
25 Medico first to river where there's humidity (8)
26 Doctor has the close-fitting case (6)
27 Increasing credit points to little money (8)

DOWN

1 Motorway fury [illegible] something illusory [illegible]
2 [illegible] lad supports engineers' cause (6)
3 Graduates [illegible] to badger's burrow with hound (6)
4 He travels with you if you're late! (10)
6 I last out with chap looking for mascot (8)
7 Number accept heart transplant menace (8)
8 Questions alleged culprits (8)
13 Negro is sullen on a heath (10)
15 [illegible] container shut with difficulty due to shrub (8)
16 Not out on border to break the law (8)
17 Rebellion leader in hollow is immoral (8)
19 Lifts this so awkwardly! (6)
20 Decline rubbish (6)
21 Lay out capital for fashionable undershirt (6)

Solution to Puzzle No.7,436

PLAITS ADAGIO / PRETEXT SPINACH / CLOSEMATCH SHED / FLEET PARASITE / RESEARCH LYDIA / APSE FIRSTFLUSH / DEMESNE CONVENT / SETTLE ASTRAY

مكرر من الأصل

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices January 8

MONTREAL
Closing prices January 8

Total Sales 4,006,278 shares.

INDICES

NEW YORK

DOW JONES	Jan. 8	Jan. 7	Jan. 4	Jan. 3	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	2509.41	2522.77	2566.09	2573.51	2999.75 (16/7/90)	2365.10 (11/10/90)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.54	91.71	91.94	92.01	93.04 (3/1/90)	88.44 (24/9/90)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	898.05	894.30	909.11	909.40	1212.77 (6/6/90)	821.93 (17/10/90)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.93	205.67	207.94	207.81	236.23 (2/1/90)	190.96 (24/8/90)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 2535.64 (2563.37) Low 2506.68 (2514.11)

STANDARD AND POOR'S

	Jan. 8	Jan. 7	Jan. 4	Jan. 3	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	314.90	315.44	321.00	321.91	368.95 (16/7/90)	295.46 (11/10/90)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	369.16	369.64	375.97	377.18	437.37 (16/7/90)	346.86 (11/10/90)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.12	22.34	22.80	22.84	31.87 (3/1/90)	18.80 (29/10/90)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	172.61	173.07	175.95	176.41	201.13 (16/7/90)	162.20 (11/10/90)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	299.78	300.18	303.05	304.78	382.45 (5/1/90)	288.07 (30/10/90)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	359.00	360.24	367.24	367.51	469.60 (16/7/90)	325.44 (16/10/90)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan. 4	Dec 28	Dec.21	year ago (approx.)
Dow Industrial Div. Yield	4.02	3.92	3.92	3.84
	Jan. 2	Dec 26	Dec.19	year ago (approx.)
S & P Industrial div. yield	3.35	3.31	3.32	2.86
S & P Inds. P/E ratio	15.76	15.92	15.88	15.19

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Philip Morris	1,739,300	49⅝	—
IBM	1,715,500	109	- 1⅛
Pan Am	1,704,700	⅜	- ⅛
AT & T	1,647,300	29⅝	+ ⅞
Gen. Electric	1,528,700	54⅝	+ ⅛
McDonnell D.	1,518,700	31⅞	- 7⅞
Pepsico	1,421,300	24⅞	+ ⅛
Limited Inc.	1,416,300	18⅞	- ⅛
Wells Fargo	1,370,300	51⅞	- 2⅞
BankAmerica	1,310,700	25	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Jan. 8	Jan. 7	Jan. 4
New York	143.390	130.610	140.820
Amex	10.031	10.287	8.319
NASDAQ	(u)	109.461	103.833
Issues Traded	2,000	1,993	1,972
Rises	558	346	781
Falls	926	1,222	683
Unchanged	516	425	508
New Highs	4	10	7
New Lows	59	39	21

CANADA

TORONTO	Jan. 8	Jan. 7	Jan. 4	Jan. 3	1990-91 HIGH	1990-91 LOW
Metals & Minerals	2649.61	2650.66	2677.34	2682.61	3453.05 (4/1/90)	2486.60 (8/11/90)
Composite	3182.42	3201.00	3216.59	3221.73	4009.47 (3/1/90)	3009.91 (16/10/90)
MONTREAL Portfolio	1697.88	1700.23	1707.69	1707.69	2060.90 (3/1/90)	1607.24 (16/10/90)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan. 8	Jan. 7	Jan. 4	Jan. 3	1990-91 HIGH	1990-91 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1236.9	1239.4	1241.6	1273.8	1713.7 (12/1/90)	1236.9 (8/1/91)
All Mining (1/1/80)	573.3	569.6	569.7	584.3	860.8 (5/1/90)	569.6 (7/1/91)
AUSTRIA						
Credit Aktien (30/12/84)	406.99	419.13	430.48	436.48	703.29 (19/3/90)	400.98 (25/9/90)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	4771.84	4823.05	4885.43	4920.48	6599.43 (12/1/90)	4771.84 (8/1/91)
DENMARK						
Copenhagen SE (3/1/83)	302.26	303.22	305.70	306.65	388.29 (20/7/90)	302.26 (8/1/91)
FINLAND						
Unitas General (1975)	357.3	368.3	372.0	378.8	677.3 (23/1/90)	357.3 (8/1/91)
FRANCE						
CAC General (31/12/82)	402.47	412.70	413.63	485.54	564.62 (30/5/90)	402.47 (8/1/91)
CAC 40 (31/12/87)	1502.77	1507.87	1547.66	1539.50	2129.32 (20/4/90)	1485.39 (25/9/90)
GERMANY						
FAZ Aktien (31/12/58)	585.23	588.34	602.11	591.03	852.32 (19/7/90)	569.69 (28/9/90)
Commerzbank (1/12/53)	1654.5	1661.7	1702.4	1680.8	2414.0 (3/4/90)	1628.7 (28/9/90)
DAX (30/12/87)	1353.95	1358.16	1396.07	1366.65	1968.55 (30/3/90)	1334.89 (28/9/90)
HONG KONG						
Hang Seng Bank (31/7/64)	3009.42	3026.52	3046.61	3004.88	3559.89 (23/7/90)	2738.24 (1/2/90)
IRELAND						
ISEQ Overall (4/1/88)	1143.08	1157.82	1164.71	1159.97	1893.10 (22/1/90)	1143.08 (8/1/91)
ITALY						
Banca Com. Ital. (1972)	510.63	518.87	521.34	524.09	763.52 (14/6/90)	500.67 (29/11/90)
JAPAN						
Nikkei (16/5/49)	23897.84	23736.57	24069.18	(c)	38712.88 (4/1/90)	20221.86 (1/10/90)
Tokyo SE (Topix) (4/1/68)	1677.93	1723.92	1748.92	(c)	2867.70 (4/1/90)	1523.43 (1/10/90)
2nd Section (4/1/68)	2640.36	2688.65	2703.02	(c)	4477.16 (16/7/90)	2640.36 (8/1/91)
MALAYSIA						
KLSE Composite (4/4/86)	485.64	495.63	497.67	497.99	632.22 (1/8/90)	459.08 (28/9/90)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	226.5	227.8	229.0	229.3	271.9 (20/7/90)	225.6 (8/11/90)
CBS All Shr (End 1983)	166.0	167.0	168.4	168.1	206.3 (3/1/90)	165.6 (8/11/90)
NORWAY						
Oslo SE (Ind) (2/1/83)	636.98	644.69	648.24	652.46	915.13 (2/8/90)	636.98 (8/1/91)
PHILIPPINES						
Manila Comp (2/1/85)	593.78	601.97	612.63	595.47	1160.78 (21/3/90)	514.80 (5/10/90)
SINGAPORE						
SES All-Singapore (2/4/75)	319.89	324.34	325.78	323.82	446.87 (16/7/90)	301.45 (11/10/90)
SOUTH AFRICA						
JSE Gold (28/9/78)	1338.0	1312.0	1252.0	1294.0	2230.0 (16/1/90)	1111.0 (18/12/90)
JSE Industrial (28/9/78)	2914.0	2964.0	2976.0	2985.0	3211.0 (6/2/90)	2649.0 (2/10/90)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	689.68	676.65	697.62	696.11	928.82 (4/1/90)	566.27 (17/9/90)
SPAIN						
Madrid SE (30/12/85)	218.07	221.60	221.40	221.46	309.74 (16/7/90)	209.37 (28/9/90)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	808.4	817.6	850.0	857.3	1329.9 (5/7/90)	808.4 (8/1/91)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	606.2	611.9	623.6	624.2	865.5 (13/7/90)	606.2 (8/1/91)
SBC General (1/4/87)	499.3	504.4	514.9	515.6	698.2 (13/7/90)	499.3 (8/1/91)
TAIWAN**						
Weighted Price (30/6/66)	3975.53	4141.07	4367.99	4258.93	12495.34 (10/2/90)	2560.47 (1/10/90)
THAILAND						
Bangkok SET (30/4/75)	590.37	595.36	609.88	586.92	1143.78 (25/7/90)	544.30 (30/11/90)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	443.4*	449.7	458.8	460.4	571.0 (4/1/90)	423.1 (28/9/90)

**Saturday January 5: Taiwan Weighted Price: 4456.27, Korea Comp Ex. 698.46.
*Calculated at 15.00 GMT.
§ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 8 January 1991

	Stocks Traded	Closing Prices	Change on day
Honshu Paper	11.3m	1,540	-230
Nippon Steel	5.1m	445	-10
Hitachi	3.6m	1,080	-30
M'bishi Heavy	3.2m	658	-18
Kurabo Inds	3.0m	901	-38
NKK	2.8m	396	-10
Furukawa Elec	2.7m	678	-10
Mitsui Shipbldg	2.6m	519	-11
Marubeni	2.5m	661	-15
Chiyoda	2.5m	1,680	-10

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3pm prices January 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
35⅞	9⅛	AAR	.48	4.6	9	411	10½	10¼	10⅜	– ⅛
9⅛	7⅛	ACM n1.03e		12.		123	8⅝	8¼	8¼	– ⅛
11⅜	8¾	ACMIn 1.26		12.		639	10⅝	10½	10½	
9¼	6½	ACM M n1.01		13.		444	7⅞	7⅞	7⅞	
12⅛	10	ACMMM 1.50		13.		161	u12⅛	12	12	– ⅛
11½	8⅞	ACM Sc1.26		12.		916	10¼	10⅛	10¼	
9⅜	7¼	ACMSp 1.01		12.		305	8¾	8½	8⅝	
25¼	17	AL Lab	.16	.7	16	108	22½	22¼	22⅛	– ⅛
4⅛	1	AM Intl				522	1⅛	1⅛	1⅛	
16⅞	4½	AM In pf	2	24.		21	8⅜	8¼	8¼	– ⅛
70¼	39¼	AMR			14	3072	45¾	44½	45⅜	+ 1
28¼	25	ANR pf 2.67		10.		3	26¼	26¼	26¼	– ½
24⅝	22¼	ANR pf 2.12		9.4		6	22¾	d22½	22½	– ¼
4	1⅜	ARX				97	1½	1⅜	1⅜	– ⅛
72¼	39¼	ASA	3	6.3		1264	47⅞	46⅞	47¼	– ⅛
3½	1⅞	ATTC wt				341	2½	2¼	2½	+ ¼
46⅜	31¼	AbtLab s.84		2.1	19	5243	41¼	40	40⅞	+ ½
14	10⅛	Abitibi g .50				2	10⅛	10⅛	10⅛	
11⅜	4½	AcmeC	.40	7.8	12	70	5⅛	4¾	5⅛	
32¾	18⅞	Acuson s			20	2506	25	24⅛	25	+ ⅞
16⅞	14⅛	AdaEx 1.72e		12.		40	14⅞	14¾	14⅞	
14½	8⅝	Adobe				4	8⅞	8⅞	8⅞	
19⅞	16	Adob pf 1.84		11.		14	17¼	17	17	– ⅛
21⅝	19¼	Adob pf 2.40		12.		59	19⅞	19¼	19⅜	– ¼
11⅞	3⅝	AMD				1132	5	4⅞	4⅞	– ⅛
32¼	19	AMD pf	3	15.		128	19⅝	19¼	19⅝	+ ⅜
7½	1⅝	Advest	.16	6.4		23	2½	2½	2½	– ⅛

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

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– X–Y–Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
[illegible]	42½	Xerox pf4.13		8.5		16	44	43⅞	43⅞	−1⅛
[illegible]	12	XTRA	.72	5.0		184	14⅝	14⅜	14½	− ⅛
26	12½	XTRA pf1.94		13.		27	14⅛	14⅛	14⅛	− ⅛
[illegible]	5-16	Zapata				334	⅞	13-16	13-16	
13⅞	4	ZenithE				550	7	6⅝	6⅞	− ⅛
19⅝	9⅞	ZenNtl	1	7.5	9	130	13½	13⅜	13⅜	− ⅛
7½	4⅜	Zenix	.55	20.		182	4⅜	4⅝	4½	
17⅛	9⅞	Zero	.40	3.6	12	33	11⅛	11	11⅛	
51⅝	29⅞	Zurnin	.88	2.7	14	955	33	32	32⅝	
12⅝	10⅛	Zweig	1.07e	10.		354	10⅝	10⅜	10½	− ⅛
10	7⅝	ZweigTl	.95	11.		1585	8⅝	8⅝	8⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices January 8

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NASDAQ NATIONAL MARKET

3pm prices January 8

[illegible]

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AMERICA

Dow reverses early gain as pessimism renews grip

Wall Street

SPECULATION that the Federal Reserve had cut interest rates spurred a brief stock market rally early yesterday, but worries about the Gulf crisis and the economic decline in the US proved too strong to overcome, and stock prices ended the day broadly lower, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average ended a net 13.36 weaker at 2,509.41 after a moderate NYSE volume of 143.4m shares. Declining issues led advances by 922 to 558 on the big board. The Dow dropped 43 points on Monday and 67 points last week.

Listed issues turned higher at midday after the Federal Reserve sent an ambiguous message to the market by failing to intervene when the Federal Funds Rate was trading below the Fed's perceived target of 7 per cent.

This was initially interpreted as an easing of monetary policy, and both stocks and bonds rallied on the signal. But there is no particular reason for the Fed to have changed its course at present and the euphoria quickly evaporated, leaving the treasury's 30-year long bond down ⅝, yielding 8.37 per cent. Today's operations by the Fed may send a clearer indication of whether monetary policy has changed.

McDonnell Douglas and General Dynamics shares dropped yesterday after Mr Dick Cheney, defence secretary, cancelled the Navy's A-12 attack aircraft programme late on Monday.

McDonnell Douglas plunged $7⅝ to $31¼ and General Dynamics lost $2½ to $23½. Both companies will lay off thousands of employees in response to the cancellation.

Pan Am, the struggling US airline, finally filed for Chapter 11 bankruptcy protection yesterday morning, sending its share price down $⅜ to $¾.

UAL, the parent of United Airlines, which had hoped to acquire Pan Am's London routes before the bankruptcy filing, added $1¼ at $111. UAL will provide $50m in financing to Pan Am.

Among other airline issues, AMR, parent of American Airlines, gained $1 to $45¾ in spite of charges of alleged safety problems by the company's pilots union.

3Com plummeted $2 to $5¾. Trading in the stock was halted on Monday after the company said it would withdraw from the network operating system software business, and report a third quarter loss. 3Com expects to cut its workforce by 12 per cent and take a $45m charge.

Canada

TORONTO declined over a broad front in light trading as investors sat on the sidelines or abandoned positions prior to today's US-Iraq talks in Switzerland.

The composite index, which has not had a winning session in 1991, ended 18.6 weaker at 3,182.4 as falls outnumbered rises by 328 to 193. Volume contracted to 16.3m shares from Monday's 20.2m.

The gold shares index, which gained nearly 3 per cent the previous day, lost 0.97 per cent as the bullion price surrendered nearly US$4 to about US$390 an ounce in New York. The energy index was slightly higher again, but all other sectors recorded declines.

The board of SHL Systemhouse requested and received the resignation of Mr Roderick Bryden as chairman and chief executive. The resignation will take effect on May 31, unless a replacement is found before then. The stock gained 35 cents to C$4.70.

Industrial sector takes lead in South Africa

Gold's fading safe-haven image frustrated Johannesburg last year, says Philip Gawith

THIS YEAR kicked off optimistically for the Johannesburg Stock Exchange (JSE), with the gold price rising above $390 an ounce and the all-gold index closing 4.3 per cent higher after the first week of trading.

Yesterday, gold shares continued to advance on the back of firm bullion prices, with Vaal Reefs rising R5 to R230, although the industrial sector fell back. The JSE all-gold index climbed 26 points to 1,338, while the industrial index fell 50 to 2,914 and the overall index shed 25 to 2,695.

Analysts are hopeful for 1991. A slow downward trend in interest rates, expected to start soon, should benefit companies and their share prices. Although all forecasts are subject to the predictable Gulf *caveat*, analysts favour the industrial sector to perform the best this year.

Another important factor is the huge overhang of institutions' investable surplus funds, calculated at R28bn by Mr Richard Stewart of stockbrokers Martin and Company. An average of 38 per cent of the overhang has gone into equities over the last five years, he says, and about 16 per cent normally finds its way into the industrial sector.

Although the Johannesburg Stock Exchange outperformed most other world bourses in 1990, it was a year of unfulfilled promise. It began on a wave of political optimism, which was soon dashed, and was ultimately frustrated by the reduction of gold's traditional status as a safe haven for investors.

The overall index declined by 8.5 per cent on the year, due mainly to the weak performance of gold shares, where the sub-group index dropped by nearly 40 per cent. Industrials appreciated 8.3 per cent, with consumer-based stocks doing particularly well. De Beers, diamond giant and bellwether stock, closed at R66.60, ahead 8 per cent on the year, but nearly 40 per cent off its May peak of R110.

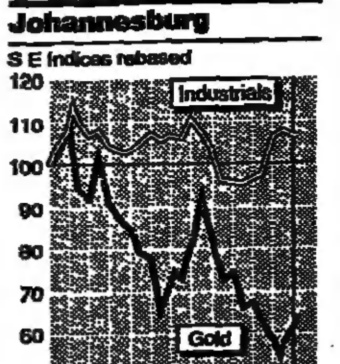
The release from prison in February of Mr Nelson Mandela, the black nationalist leader, and other political reform initiatives of the government were euphorically received by equity markets.

Early confidence, however, was soon badly knocked by loose talk about nationalisation from the African National Congress (ANC), the country's major black political grouping, and the appalling township violence which blighted the political scene for the rest of the year.

The "commoditisation" of gold was the other dominant, and disturbing, feature of 1990 for the JSE. Pundits thought that the political turmoil in eastern Europe would lend support to gold with its traditional safe-haven status. This proved not to be the case.

Johannesburg

S E Indices rebased



Source: Datastream

Even more depressing for the gold bulls has been the weak performance of the bullion since the start of the Gulf crisis. Expectations that the price would rise, as a hedge against higher inflation brought on by the increase in crude oil prices, have not been realised.

Mr John Clemmow, mining analyst at stockbrokers George Huysamer, comments: "There has been a structural change in the way the gold price moves. Gold is now in a new era where it is regarded as a commodity. It is a process that has been accelerating for the last few years. South African institutions are not in gold shares any more.

"Gold has fallen out of favour and I do not think it is going to go back again."

The poor performance of gold shares reflects the industry's straitened circumstances. Profits are sharply down, squeezed by declining revenues and rising costs. The extent to which the market has lost confidence in gold is shown by the decline in the gold shares index over the year, a move wildly out of proportion to any downward movement in the bullion price.

Mr Clemmow points out that it is not only gold that has suffered; the price of virtually every commodity that South Africa exports, with rhodium a notable exception, fell during the year. Much of this can be traced to fears of reduced demand in the wake of recessionary conditions in the leading Anglo-Saxon economies.

The platinum share price index, for example, shed 30 per cent over the year. A recession would lead to lower automobile sales and hence a reduced platinum requirement, as the metal's leading use is in the autocatalysts which reduce exhaust emissions.

The firm exchange rate of the rand against the US dollar, in which most of South Africa's exports are denominated, has been a contributing factor to weakness in the mining sector. The rate was virtually unchanged at R2.56 over the year, whereas analysts had been predicting at least a 5 per cent deterioration, to take account of the countries' inflation differential.

This reflects the hand of Dr Chris Stals, governor of the Reserve Bank, who, in defending the value of the currency and making the fight against inflation his priority, has caused considerable pain in the real economy and equity markets.

The brighter industrial side of the JSE's performance particularly reflected the consumer sectors, and especially those companies with a high exposure to urban black consumers. While the transport group showed strongest growth overall, it was followed by the retail and furniture sectors, both of which rose by more than 50 per cent.

Some see this trend tailing off as recessionary conditions bite. Others, like Mr David Shapiro of stockbrokers Frankel Max Pollak Vinderine, believe there is such a backlog in black spending that it will be years before black consumers start to save.

ASIA PACIFIC

Nikkei falls 3.5% in thin trade before Geneva talks

Tokyo

STOCK PRICES fell sharply yesterday following the overnight drop on Wall Street. Rising bond yields contributed to the decline and volume was low ahead of the US-Iraq talks scheduled for today, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 838.73, or 3.5 per cent, to 22,897.84, closing below 23,000 for the first time since December 6. The index opened at the day's high of 23,707.70 and fell to a low of 22,859.28 in the afternoon.

Declines overwhelmed advances by 934 to 51, with 67 issues unchanged. The Topix index of all first section stocks retreated 45.99 to 1,677.93, and in London the ISE/Nikkei 50 index shed 8.08 to 1,293.21.

Volume remained lacklustre, at 230m shares. "The market has absolutely no energy," commented Ms Caroline Stone of Barclays de Zoete Wedd.

The pulp and paper sector fared the worst, falling 7.3 per cent. It was dragged down by Honshu Paper which lost Y230 to Y1,540 as investors with high margin positions sold out.

Rubber issues were weak on the year-to-year decline in December new car sales. Bridgestone slipped Y20 to Y969, Sumitomo Rubber Y30 to Y685 and Yokohama Rubber Y20 to Y735, their lowest levels since the start of last year.

Construction shares fell. Traders said the sector had been due for a correction after its recent rise which followed news that the government planned to spend Y430 trillion (million million) on public works over the decade. Kajima lost Y60 to Y1,570 and Obayashi fell Y90 to Y1,590.

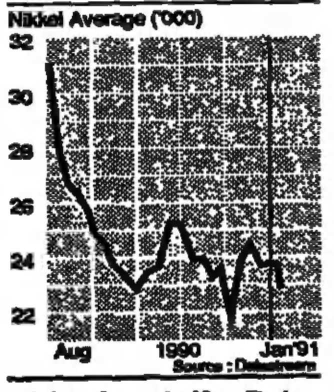
Sanrio, a novelty goods producer, lost Y350 to Y2,700, falling below Y3,000 for the first time in seven years. The company, which has invested heavily in stocks, only expects pre-tax profits of Y6.5bn for the business year — 50 per cent below its earlier forecast.

Furukawa Electric, a leading electric wires and cables maker, receded Y10 to Y675 on profit-taking. The issue had gained Y15 on Monday following reports that the company had developed a new superconducting magnet.

Sumitomo Metal Mining firmed Y20 to Y1,110 on rising gold bullion prices, as well as the overnight strength of gold mining shares in New York.

Japan

Nikkei Average ('000)



Source: Datastream

Some high-technology stocks with high export ratios reacted favourably to the stronger dollar. NEC gained Y10 to Y1,290 and Fujitsu rose Y10 to Y990.

In Osaka, the OSE average weakened 699.16 to 24,040.85 on low turnover of 18.3m shares. High-technology issues bought on margin credit fell in heavy selling. Nintendo lost a further Y1,700 to Y15,400.

Shimano Industrial, the bicycle parts maker, shed Y130 to Y3,950 in spite of reports that it will implement a 10 per cent bonus share issue this year.

Roundup

THE OVERNIGHT fall on Wall Street and apprehension before the Geneva talks between the US and Iraq weighed on many Pacific Rim markets yesterday.

TAIWAN tumbled as higher oil prices and weak stock markets overseas accelerated selling. The weighted index plunged 215.54, or 5.1 per cent, to 3,975.53. Volume fell to T$29.2bn from T$39.1bn.

AUSTRALIA eased for the fourth day in a row. The All Ordinaries index ended 2.6 off at 1,236.9, the lowest level since February 1988, although higher bullion prices pushed the gold marker up 24.9 to 1,190.9.

Turnover, which was dominated by options exercises, rose to A$137m from A$135m. BHP accounted for one-third of the day's volume as it dipped 10 cents to A$9.44 in options-related trading. TNT, the transport company, eased 2 cents to A$1.26 on continuing nervousness about its debt.

NEW ZEALAND fell for the first time in eight days as the Barclays index gave up 18.78, or 1.6 per cent, to 1,191.75. Turnover climbed to a moderate NZ$12.4m from NZ$8.4m. Brierley Investments featured with a decline of 5 cents to 91 cents on the day's heaviest volume of 2.3m shares.

HONG KONG picked up from the day's lows on scattered buying, but the Hang Seng index was still down 17.10 at 3,009.42, after touching 2,992. Turnover shrank to HK$327m from HK$399m.

SEOUL was weak, the composite index ending 16.97 down at 659.68 on volume of Won129.6bn (Won160bn). MANILA's composite index slipped 8.19 to 593.78 in turnover of 35m pesos (49.9m).

SINGAPORE recouped some of the day's losses on late bargain hunting. The Straits Times Industrial index dipped to 1,154.60 before closing 14.11 down at 1,160.59. Turnover decreased to S$47.2m from S$52m. In KUALA LUMPUR, the composite index lost 9.99 to 485.64 in turnover of 21.9m shares (22.9m).

BANGKOK was lower, the SET index easing 4.99 to 590.37 on thin turnover of 699m baht. BOMBAY was closed to enable brokers to catch up with their paper work. Trading is due to resume today.

EUROPE

Hoogovens drops 8.6% on bleak 1991 message

THE MOOD in the Continent was nervous yesterday, as investors awaited the outcome of today's meeting between representatives of the US and Iraq. Although selling pressure was mostly light, some share prices fell sharply, with Hoogovens, the Dutch steel and aluminium producer, plunging 8.6 per cent, *writes Our Markets Staff.*

AMSTERDAM came under pressure late in the day as Wall Street opened weaker and several companies issued cautious new year messages. The CBS Tendency index ended 0.4 down at 77.9.

Hoogovens plummeted Fl 4.20 to Fl 44.80 in thin volume, after the company lowered its profit forecast for 1990 and said that 1991 would be a difficult year.

Ahold, the retailer, was 50 cents better at Fl 67.10 on news that the company expected its 1990 total group turnover to fall to Fl 17.5bn from Fl 17.7bn, mainly as a result of currency fluctuations. But it repeated its previous forecast that 1990 net profit would be well above 1989's Fl 194.6m.

VNU, the publisher, fell Fl 1 to Fl 79.70 after the chairman said 1990 net profit would be about 8 per cent below the previous year's. In August VNU said that it expected 1990 profits to match those of 1989.

Unilever fell Fl 1.40 to Fl 147.50 after analysts downgraded their profits forecasts for 1990 and 1991 as a result of its higher marketing costs.

FRANKFURT showed surprising resilience in the face of hefty falls in Tokyo and overnight on Wall Street. Short-covering and a stable bond market helped prices come off the day's lows. The DAX index ended 4.21 down at 1,353.95, recovering from an intraday low of 1,345.46, while the FAZ index, calculated at midsession, eased 3.11 to 585.23. Volume remained a light DM2.9bn after DM2.7bn.

Dyckerhoff & Widmann (Dywidag), the construction company, eased DM5 to DM715 as the takeover speculation surrounding the stock started to wane. Dywidag's shares doubled to DM879 last year after *Mr Ignaz Walter, a shareholder* with 38 per cent of the equity, made it clear that he wanted to take it over. But his attempt appeared to have been blocked yesterday on the news that Lyonnaise des Eaux-Dumez of France had sold its stake of 10 per cent to another party.

Siemens ended DM2.80 lower at DM567.80 after the company denied that it planned to cut its dividend on 1990/91 results.

PARIS gave up further ground in continued thin volume, although it was described as more active than in recent sessions. The CAC 40 index closed 5.10 lower at 1,502.77, after recovering from an opening level of 1,474.79.

Elf Aquitaine remained active, recovering FFr2.80 to FFr268.70 on volume of 486,600 shares, after Monday's fall of FFr13.40 on UK selling.

Lyonnaise des Eaux-Dumez rose FFr2.90 to FFr486 with 67,140 shares exchanged after its chairman voiced plans to raise up to FFr4bn through asset sales, in order to finance investments and expansion.

MILAN fell in thin trading on mounting Gulf fears. The Comit index eased 8.24 to 510.63 in turnover of about L70bn. Although Generali slipped L500 to L28,990, traders said that there was some support buying of the Trieste-based insurer. Some of the interest is linked to reports that Generali might benefit from pending legislation which would allow Trieste to set up an offshore area.

All four Scandinavian bourses fell to 1990/91 lows. STOCKHOLM sank to levels last seen in April 1988. The Affärsvärlden General index closed at 808.4, down 9.2, in volume of SKr308m.

OSLO's all-share index dropped 5.00 to 426.90 in trading worth NKr248m. The industry index, which includes oil stocks, lost 7.71 to 636.98. Norsk Hydro shed NKr1.5 to NKr176.5. HELSINKI lost 2.9 per cent on worries about high interest rates and the economy. The Unitas all-share index fell 11.0 to 357.3.

COPENHAGEN was also weak, the index falling 0.96 to 302.26, but Baltica Holding rose DKr11.50 to DKr800 on the news that Hafnia had extended its offer to buy any new Baltica shares at DKr1,000 each.

ZURICH retreated in quiet trading, the Crédit Suisse index falling 6.2 to 440.4. A small rise in money market rates added to the cautious mood. MADRID also fell, but finished above its day's lows on bargain-hunting. The general index shed 1.63 to 219.43.

BRUSSELS saw the cash market index lose 51.21 to another 1990/91 low of 4,771.84, while VIENNA's bourse index fell 12.85 to 471.06 for a two-day loss of 4.5 per cent.

ATHENS dropped 2.2 per cent, as the general index shed 21.00 to 947.62.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 8 1991								MONDAY JANUARY 7 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	114.07	+0.0	88.73	98.35	90.83	97.53	−0.4	7.84	114.06	88.73	98.53	90.88	97.94	158.31	114.06	154.79
Austria (19)	180.54	−2.1	140.43	156.66	143.75	143.71	−2.3	1.90	184.48	143.50	159.35	146.98	147.07	285.63	178.57	218.06
Belgium (60)	125.56	−1.1	97.67	108.25	99.97	97.85	−0.9	5.96	126.93	98.73	109.63	101.13	98.76	160.02	125.56	156.54
Canada (116)	127.95	−0.4	99.53	110.31	101.87	106.73	−0.5	3.78	128.48	99.94	110.97	102.36	107.26	153.61	121.24	151.88
Denmark (32)	217.74	−0.8	169.37	187.74	173.37	175.25	−0.4	1.71	219.55	170.78	189.65	174.92	176.03	277.62	217.74	246.81
Finland (22)	93.00	−2.0	72.34	80.19	74.05	71.95	−1.9	4.21	94.87	73.79	81.95	75.58	73.38	152.29	93.00	137.32
France (113)	127.81	−0.1	99.42	110.19	101.76	104.10	−0.3	3.85	127.96	99.54	110.53	101.95	104.43	158.85	124.98	155.61
Germany (88)	106.06	−0.4	82.50	91.46	84.45	84.45	−0.4	2.69	106.46	82.81	91.97	84.82	84.82	144.63	101.38	130.18
Hong Kong (48)	121.18	−0.7	94.26	104.48	96.49	121.32	−0.7	5.52	122.03	94.92	105.40	97.23	122.16	147.49	112.24	116.58
Ireland (16)	137.73	−2.0	107.13	118.75	109.66	111.25	−1.9	4.65	140.56	109.34	121.42	111.99	113.44	198.57	137.73	195.06
Italy (93)	76.63	−1.5	59.61	66.07	61.01	65.84	−1.6	3.91	77.78	60.50	67.18	61.97	66.92	109.26	75.73	101.24
Japan (453)	120.54	−2.5	93.76	103.93	95.99	103.93	−2.6	0.82	123.57	96.12	106.74	98.46	106.74	197.26	106.58	190.85
Malaysia (34)	199.90	−2.1	155.49	172.35	159.16	209.75	−1.9	3.21	204.10	158.76	176.29	162.61	213.81	250.89	182.96	233.95
Mexico (12)	565.64	−2.8	439.99	487.70	450.38	1827.51	−2.8	0.38	581.69	452.47	502.46	463.46	1879.36	613.96	324.53	334.27
Netherland (41)	129.39	−0.3	100.65	111.56	103.03	101.90	−0.5	5.27	129.85	101.00	112.16	103.46	102.44	149.03	127.56	144.07
New Zealand (15)	43.11	−1.2	33.53	37.17	34.33	38.61	−1.5	8.77	43.62	33.93	37.68	34.75	39.19	75.36	42.62	74.15
Norway (30)	190.43	−0.9	148.13	164.20	151.63	155.15	−0.7	1.96	192.17	149.48	166.00	153.11	156.17	276.79	190.43	214.62
Singapore (25)	155.28	−2.0	120.78	133.88	123.63	125.87	−1.9	3.33	158.51	123.30	136.92	126.29	128.34	209.24	147.24	188.82
South Africa (60)	182.45	−0.1	141.92	157.31	145.27	135.88	−0.8	4.01	182.69	142.11	157.80	145.55	136.99	251.39	151.50	201.30
Spain (41)	135.56	−0.2	105.45	116.88	107.94	99.46	−0.8	5.63	135.83	105.66	117.33	108.22	100.28	182.25	128.54	162.15
Sweden (27)	146.60	−1.6	114.04	126.41	116.73	124.09	−1.4	3.29	149.01	115.91	128.72	118.73	125.91	234.93	146.60	206.95
Switzerland (65)	84.48	−0.6	65.71	72.84	67.27	67.43	−1.0	3.11	85.03	66.14	73.45	67.75	68.06	109.77	84.48	97.07
United Kingdom (287)	160.15	−0.7	124.58	138.07	127.51	124.58	−0.7	5.61	161.21	125.40	139.23	128.43	125.39	176.18	139.87	164.31
USA (527)	127.26	−0.2	98.99	109.73	101.33	127.26	−0.2	3.92	127.54	99.21	110.17	101.62	127.54	148.95	119.06	141.59
Europe (944)	129.34	−0.6	100.61	111.52	102.99	102.06	−0.7	4.57	130.13	101.22	112.40	103.68	102.76	157.65	124.91	146.66
Nordic (111)	155.55	−1.2	120.99	134.12	123.85	123.26	−0.9	2.47	157.43	122.46	135.98	125.43	124.41	223.29	155.55	197.02
Pacific Basin (650)	120.01	−2.3	93.35	103.48	95.56	103.96	−2.5	1.24	122.85	95.56	106.12	97.88	106.62	192.75	107.82	186.75
Euro–Pacific (1594)	124.14	−1.6	96.56	107.03	98.84	103.91	−1.7	2.66	126.15	98.12	108.96	100.50	105.74	174.18	116.03	170.92
North America (643)	127.21	−0.2	98.95	109.69	101.30	125.92	−0.2	3.91	127.50	99.18	110.15	101.61	126.22	148.43	119.26	142.11
Europe Ex. UK (647)	110.60	−0.6	86.03	95.38	88.06	88.88	−0.7	3.77	111.23	86.52	96.10	88.64	89.52	145.62	109.94	134.57
Pacific Ex. Japan (197)	113.13	−0.6	88.00	97.56	90.09	100.65	−0.8	6.49	113.78	88.49	98.28	90.65	101.61	146.72	113.13	137.44
World Ex. US (1782)	125.09	−1.5	97.30	107.86	99.61	104.76	−1.7	2.71	127.04	98.82	109.74	101.22	106.55	173.77	117.12	170.65
World Ex. UK (2012)	121.40	−1.1	94.43	104.68	96.67	110.45	−1.2	2.81	122.80	95.52	106.08	97.85	111.84	162.00	115.37	158.73
World Ex. So. Af. (2249)	124.49	−1.1	96.84	107.35	99.13	111.68	−1.2	3.12	125.87	97.91	108.73	100.29	113.01	161.84	118.04	158.95
World Ex. Japan (1856)	128.31	−0.4	99.81	110.64	102.18	116.01	−0.5	4.26	128.83	100.21	111.29	102.66	116.54	151.59	124.31	144.47
The World Index (2309)	124.84	−1.1	97.11	107.64	99.41	111.65	−1.2	3.13	126.21	98.17	109.02	100.56	113.18	162.05	118.33	159.21

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Amendments to indices for January 7 applied to Spain, related regional indices and The World Index.
Ferruzzi Agricola Finanziaria (Italy) has absorbed Montedison (Italy) and adopted its name. The subsequent changes will be made with effect 9/1/91.